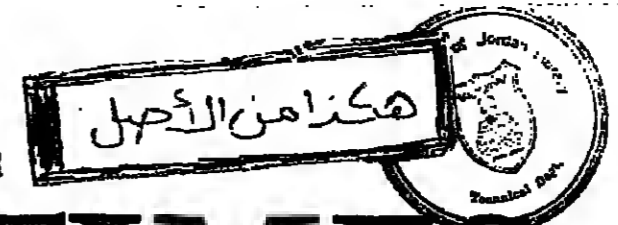


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EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

INDUSTRY
Peugeot and Fiat
in joint venture
Page 2

No.30,727 Friday December 23 1988 D 8523 A

World News Business Summary

Soviets to scrap latest weapons in E Europe

The Soviet Union intends to scrap some of its most up-to-date tanks and other advanced equipment in reducing its forces in Eastern Europe, according to Maj-Gen Yuri Lebedev, deputy head of the Armed Forces General Staff Directorate. Page 2

Namibian acrimony

Acrimonious exchanges at a formal signing of two treaties paving the way to Namibia's independence and the withdrawal of 50,000 Cuban troops from Angola undermined the potential fragility of the US-sponsored peace plan for southern Africa. Page 5

River attack kills 8

Leftist Colombian guerrillas ambushed a small naval vessel, killing eight men and wounding seven on the Guyabero river 200km south-east of Bogota.

Sao Paulo rains

The worst rains in 58 years have struck Sao Paulo, Brazil's biggest city, and left at least seven people dead in landslides.

Christian unity hit

The Pope, in his end-of-year address to cardinals, said the decision by Anglican Church leaders to allow women to become bishops would badly affect Christian unity.

SA grenade attack

A grenade flung from a moving vehicle wounded 19 South African policemen and three civilians in Nyanga, a black township 15km south-east of Cape Town.

Maldives trial

Foreign mercenaries and their Maldivian backers who failed in an attempt to capture the island of Maafushi in the Indian Ocean island republic within two weeks.

PLO debate

Executive committee of the Palestine Liberation Organisation will meet in Baghdad next week to discuss the formation of a Palestinian government-in-exile.

Radiation damages

Rick Johnstone, a former Australian airman, won damages of \$679,500 for radiation sickness he said he contracted at a British atomic weapons testing site in South Australia.

Jackson peace call

Civil rights leader Jesse Jackson hailed the US Government's talks with the PLO as a courageous step and called on Israeli leaders to demonstrate a commitment to peace.

Castro EC talks

Cuban President Fidel Castro, demonstrating his wish for closer ties with the European Community, met for lunch with all EC ambassadors in Havana.

Algeria votes

Polling stations opened throughout Algeria for voters to re-elect Chadli Bendjedid as President for a third five-year term of office. He is the sole candidate of the National Liberation Front (FLN).

Vanuatu relaxes

Alcohol went on sale in Vanuatu for the first time in two weeks, signalling a return to normality after a week of political turmoil in the South Pacific island state.

Alstom and GEC to merge engineering, power units

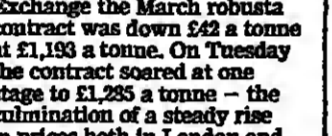
GENERAL Electric Company of the UK and Compagnie Generale d'Electricite of France, and its Alstom subsidiary, announced a merger of their electrical power generating and other heavy engineering activities to form Europe's largest power engineering company with annual sales of over \$1.786bn. Page 16

PROFIT-TAKING

and the prospective end to the port strike in Brazil wiped out Tuesday's sharp rise in coffee prices in London. In addition, the International Coffee Organisation (ICO) announced a further increase of 1m bags in the total world export quota to 58m bags. At the close on the Lon-

Coffee

2nd second position £ per tonne



don Futures and Options Exchange the March robusta contract was down £24 a tonne at £1,193 a tonne. On Tuesday the contract soared at one stage to £1,255 a tonne - the culmination of a steady rise in prices both in London and New York throughout December. Commodities Page 24

BATTLE

for William Collins entered an uncertain phase as Collins announced it was in talks with a potential white knight but News International insisted it would not sell its 41.7 per cent stake in the publisher. Page 17

BANCO SANTANDER

, big Spanish commercial bank, increased its stake in The Royal Bank of Scotland by 5 per cent, taking its total shareholding in Britain's sixth largest high street bank to almost 10 per cent and making the Spanish its biggest shareholder. Page 17

COPENHAGEN

International Airport, and Denmark's two-sevenths share in Scandinavian Airlines System (SAS) head the sales list in a major privatisation scheme unveiled by the Danish Government as part of a four-year plan to streamline state administration. Page 20

EUROPE'S

troubled shipbuilders will suffer a cut in the level of state subsidies they are allowed to receive, following a European Commission ruling. Page 2

SWISS ETHERNT

Group, one of the world's leading fibre-optic producers, is to gradually withdraw from the asbestos sector and plans to strengthen other activities. Page 19

TATA IRON

and Steel Company (Tisco), India's largest private sector company, proposes to offer part of its equity to international investors through a convertible debenture offer. Page 21

HANS FRIDERICH

, former West German Economics Minister and later chief executive of Dresdner Bank, was unanimously elected to be the new supervisory board chairman of Co op, the troubled German retailer which on Saturday sacked its entire managing board. Page 18

MOODY'S

Investors Service said it may downgrade the ratings on nearly \$2bn in debt securities of two US merchant banks, Shearson Lehman Hutton and Salomon Brothers. Page 20

BRIERLEY INVESTMENTS

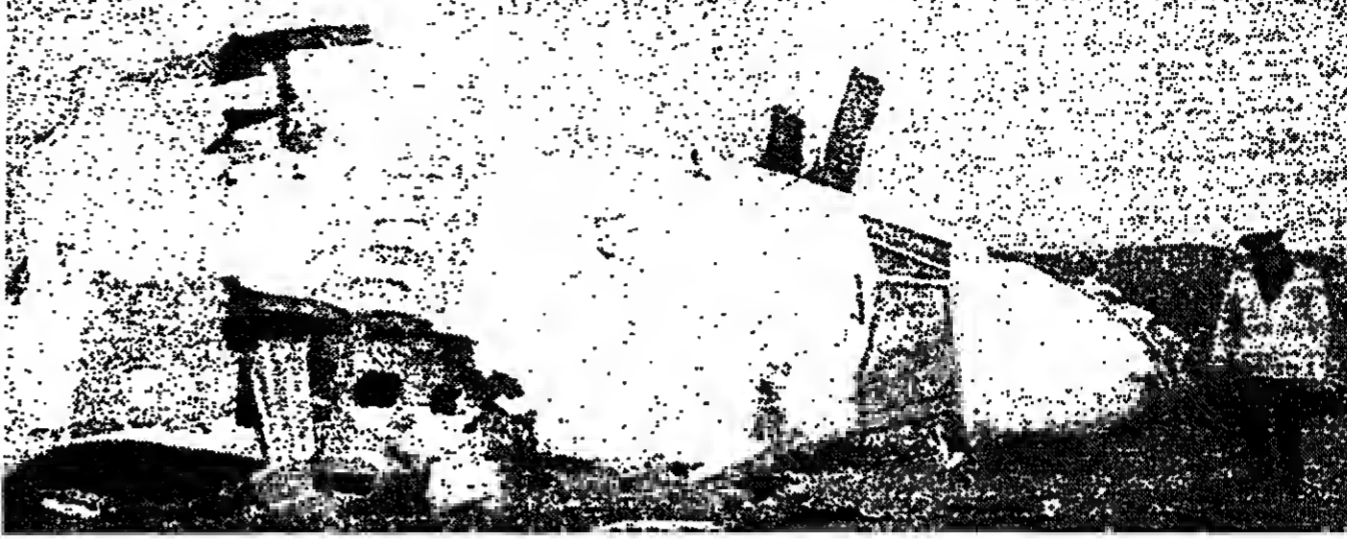
, Mr Ron Brierley's international investment group, said it was no longer interested in owning Bank of New Zealand. This follows the Government's rejection of its bid. Page 18

AT LEAST 280 DEAD • US RECEIVED BOMB THREAT • UK ANTI-TERRORIST SQUAD INVESTIGATES

Sabotage suspicion grows

By Richard Donkin and Michael Donnellin London

WARNINGS of plans to place a bomb on a Pan American flight in Europe were received by the US Embassy in Helsinki two and a half weeks ago, it emerged yesterday as suspicion grew that sabotage was responsible for Britain's worst ever air disaster.



A policeman surveys the wreckage of the nose and cockpit section of the crashed airliner

Scotland Yard's anti-terrorist squad was last night investigating the crash, which killed at least 280 people.

All 258 passengers and crew on board the Boeing 747 Pan Am flight 103 from Heathrow to New York perished when the aircraft broke up and came down in a ball of flames over the Scottish town of Lockerbie, 15 miles from the border with England, on Wednesday evening. Most of the passengers were Americans.

At least 22 people died in the town when 10 houses were destroyed. Some died in their cars. A number of other people were still missing.

Mr Ronald Spiers, Under-Secretary for Management at the US State Department, said yesterday the Helsinki Embassy had received an anonymous telephone call threatening to blow up a Pan Am jet flying from Frankfurt.

He said the warning was passed to the Federal Aviation Administration which then notified US embassies, foreign governments and airlines flying in the European region, including Pan Am. The International Air Transport Association said that British security services knew of the threat.

Four US government employees were known to have been on the flight. The US Ambassador to Lebanon had missed his connection after being delayed in Nicosia.

Thirty-eight students from Syracuse University in New York state were also killed.

According to reports in Washington yesterday, the caller said he was a member of Abu Nidal, the radical Palestinian group. He said the bomb would be carried by a woman and placed on board a Pan Am jet.

The US State Department discounted a claim telephoned to the UPI press agency in London yesterday that the aircraft had been blown up by a group calling itself the Guardians of the Islamic Revolution in revenge for the American shooting down of an Iranian airliner in the Gulf earlier this year.

One unconfirmed report said a warning was passed to the US by Mossad, the Israeli secret service.

Mr Charles Price, US Ambassador to Britain, said yesterday at the crash site at Lockerbie, south-west Scotland, that embassies had been at a heightened state of alert since Mr Yasir Arafat, leader of the Palestine Liberation Organisation, addressed the United Nations in Geneva last week.

A team of seven investigators began photographing and the wreckage, most of which was strewn over a 10- to 15-mile area.

The main section of the jet, which could have contained tanks nearly full of fuel in the 43,000-gallon capacity aircraft, fell on a petrol station spewing a sheet of fire over nearby houses. Some houses were reduced to rubble.

Other fireballs ripped through cars on the main A74 Glasgow road which passes the town. At least two were instantly engulfed in flames.

Some debris was found 80 miles away in Northumberland, Farnborough.

The nightmare tragedy deepens in daylight

By James Buxton in Lockerbie

THE SMALL Scottish town of Lockerbie yesterday a place of smouldering buildings, huddled conversations and rampant media activity.

After the shock of the night before, the 3,000 people of Lockerbie could yesterday contemplate in daylight the tragedy that had hit their town. Houses which had stood in a row on the south-west side of the town had either been razed or severely damaged by falling debris from the Pan Am jet.

A section of the A74 trunk road which skirts the town was damaged near the crash where part of the aircraft had ploughed into the ground. In the town itself, workers were repairing houses damaged by flying wreckage, or tying tarpaulins over holes in roofs. Much of the town was unscathed.

The inhabitants yesterday tended to gather in little groups on the streets, discussing the tragedy and lamenting fellow townspeople they have lost.

There was a constant knot of people outside the town hall, inconspicuously being used as a temporary mortuary. They checked for gaps among the names on the long list of Lockerbie people happily recorded as having survived the crash - and occasionally drawing melancholy conclusions from the absence of a name.

On the hills outside the town, police, troops and helicopters were engaged in the macabre work of collecting the corpses of victims of the jumbo jet disaster. Above, in the cold blue sky, were the vapour trails of other airliners on their way to North America, ignored as they have almost always been, by the people below.

However, the people of Lockerbie yesterday appeared to be outnumbered by the army of police and rescue services, and by the hundreds of reporters and television crews. The media congregated outside the police station, the main centre of activity, and surged in pursuit of Mrs Margaret Thatcher, UK Prime Minister, and the Duke of York, both of whom toured the devastated part of the town and visited sites in the countryside beyond.

Most of the serious activity was taking place outside Lockerbie. Hundreds of police, soldiers and RAF mountain rescue men worked on the half-dozen places where most of the wreckage came down and many of the corpses were strewn. The activity reached a crescendo of whirring helicopters just before the early dusk of the shortest day of the year.

Television cameras on extended gantries tried to catch the scene. Lockerbie people peered surreptitiously out of windows, some of them with binoculars, and discussed what was happening in urgent undertones. They were necessarily separated from it, and it was another element of what must have seemed the unreality of events.

As soon as the news about the settlement broke on Wednesday evening, Drexel's staff began a telephone blitz of their clients to assure them the firm could maintain its role.

Commission acts to harmonise EC company takeover rules

By David Buchan in Brussels

THE European Commission yesterday proposed common Community rules governing takeover bids for publicly quoted companies, with which the bid-policing authorities in some EC states would have to conform.

The Commission said that its proposed directive, which needs only a weighted majority of member states for approval, was designed to fashion a "level playing field" out of widely-differing, and in some cases non-existent, takeover rules among the 12 EC states.

With the advent of a single European market and consequent industrial restructuring, the number of public offers for quoted companies was rising, the Commission said. The UK still had more takeovers than the other 11 countries put together, but this year had seen a big increase in bidding activity in France.

On the issue of foreign reciprocity, the Commission plans leave it open to member states to block a bid from a non-EC company if EC companies are effectively barred from takeovers in that company's home country. But Brussels says that it intended to raise the reciprocity issue in the Organisation of Economic Co-operation and Development (OECD).

The draft directive would regulate the behaviour of bidding and target companies in a takeover battle. Once one company had acquired one third of the shares of another company, it would be required to launch a public offer for all remaining shares in that company. It would also have to detail in its bid document its intentions towards the target company, in terms of general policy, use of assets, employment and future debt plans.

UK legislation

The British Government yesterday published proposals for the first overhaul of the country's company legislation for eight years in planned legislation which also would amend methods for examining mergers and strengthen investigation powers. Page 16; Details, Page 9

Continued on Page 16

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Prestige slowly drains away from stubborn Papandreou

Greeks will relish their long Christmas break particularly this year as a respite from the extraordinary political crisis their country faces. The moment of truth for Prime Minister Papandreou may be near. Page 16

Brussels: Commission orders cut in subsidies for shipbuilders

Vienna: How Austria has gained from a Hungarian spending spree

Management: Argentine confectionery maker savours sweet taste of exports

Editorial comments: Hormones in a teaspoon; Israel's renewed coalition

The British premier: Thatcherism until the end of time

Lombard's Other-worldly regulators

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PILKINGTON
Communication Systems

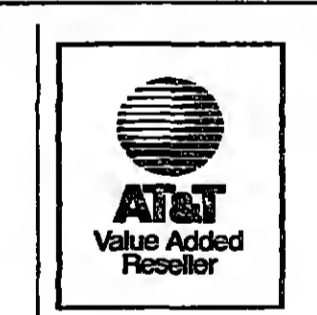
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WORLD TRADE NEWS

Canberra relaunches free farm trade campaign

Australia's Trade Minister talks to Chris Sherwell about a strategy to force US and EC concessions

Australia disappointed by the near-failure of key talks in Montreal earlier this month, is pessimistic about the chances of a breakthrough by April in the Uruguay Round of multi-lateral negotiations...



Michael Duffy believes both sides must give ground

Mr Michael Duffy, Canberra's Minister for Trade Negotiations, said in an interview that Australia, together with its partners in the Cairns Group of agricultural free-traders, would renew a campaign to bridge the gap which persisted between the US and the EC.

anywhere. And while the Community continues not to produce policy-specific measures, we won't go anywhere either. If the two sides don't shift, he says, developing countries - in particular those Latin American countries which have separate debt problems with the US and Europe - would continue to prevent progress on other issues of major concern to the US and the Community.

billions of dollars because their products are counterfeited in countries like South Korea, Taiwan or Singapore. In another attempt to encourage progress, these views are likely to be promoted in the US and Europe by lobby groups from other countries, including Australia.

Midland and National Westminster Banks yesterday became the latest British banks to announce that they had reached fresh bilateral agreements on trade finance with the Soviet Bank for Foreign Economic Affairs.

UK banks in fresh finance deals with Moscow

By Peter Montagnon, World Trade Editor

Midland and National Westminster Banks yesterday became the latest British banks to announce that they had reached fresh bilateral agreements on trade finance with the Soviet Bank for Foreign Economic Affairs.

Midland said its deal involves a renewal on revised terms of the £250m protocol it signed with Moscow in early 1987. National Westminster is making similar arrangements with a similar £250m protocol.

Merry Christmas from the Magyars

Vienna gains from a Hungarian spending spree, says Judy Dempsey

VIENNESE SHOPKEEPERS are set to make their biggest profits for years, thanks to an invasion of Hungarians.

East German-made cars which splutter along the roads like contrary lawnmowers, stems from a radical reform of the passport system in Hungary introduced on January 1 this year.

Under the new law, all Hungarians can obtain a passport and retain it. They no longer have to hand it back to the local police.

Instead of the normal German-language signs, advertising hi-fi, electronic and radio equipment, traders have caught on to the fact that they can persuade their parents, many of whom speak Hungarian, to stand behind the counters or give their children a crash course in commercial Hungarian.

The reason for this massive influx of nearly 1m Magyars - many of whom come across in their little two-stroke Trabant East German made cars which splutter along the roads like contrary lawnmowers, stems from a radical reform of the passport system in Hungary introduced on January 1, 1988.

are for the Hungarians' own personal use. "I sell them back home," says Janos, who has made his third trip to Vienna in less than six months.

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Finnish exports set to fall

By Olli Virtanen in Helsinki

FINLAND'S TRADE with the Soviet Union will take yet another turn for the worse next year. According to the trade protocol signed in Helsinki this week Finland's exports to Moscow in 1989 may decline by as much as 24 per cent.

their scarce foreign currency reserves for Finnish goods. To alleviate the sharp trade imbalance further Finland's Export Credit Bank granted a FM1.7bn credit to the Soviet Union to be used to buy Finnish machinery, vessels and construction projects.

orders from that country for almost two years. Oil products will continue to dominate Soviet exports to Finland. They include 8.5m tonnes of crude worth FM3.7bn at today's prices, although the actual purchase price is set on a monthly basis.

Advertisement for Barclayshare featuring a large image of a stockbroker's desk with a telephone and a sign that reads 'IF YOUR STOCKBROKER IS OF THE OLD SCHOOL, TAKE A LOOK AT THE NEW SCHOOL.'

Unions boycott Gonzalez talks

Unions boycott Gonzalez talks

Unions boycott Gonzalez talks

Unions boycott Gonzalez talks

Plan to stimulate European cooperation between and the interchange of researchers in economic science (SPES) 1989 to 1992

The Council of the European Community adopted on 17 November 1988 a common position on a stimulation plan for Economic Science (SPES) 1989 to 1992. After the final decision of the Council, the Commission of the European Communities will launch this plan in order to:

A guide for applicants and any further information on the SPES plan can be obtained, until 31.3.1989, from: Mr Reinhard Thomas, Commission of the European Communities, DG XII-H-1 - SPES, 200 rue de la Loi, B-1049 Brussels.

AMERICAN NEWS

Verdict before evidence, as the Red Queen told Alice, it seems appropriate for a President who has practised the economics of Wonderland. Reaganomics has been condemned by some of its own leading practitioners. Mr David Stockman, the first Reagan budget director - he of the revealing breakfast interviews at the Hay-Adams hotel - has written of "the revolution that failed". Mr Murray Weidenbaum, his first chief economic adviser, has written a kinder book, but its title, *Rendezvous with Reality*, says more than many pages of carefully balanced text.

The committed, then, are disappointed; an uncommitted foreigner can be a little kinder. The President may go down in economic history as a man who made a success of failure. He has broken nearly all the promises he brought to office - smaller government, higher savings and investment, steady monetary policy and, above all, balanced budgets. Yet when he was asked, at one of his recent farewell appearances, what had made him happiest in his eight years in office, he said: "The performance of the economy."

He is retiring as the US expansion (which followed the deflationary recession of 1981-2) is going into its sixth year, with a sign of staying. He is surely entitled to feel happy about that, and he might also have celebrated that fact that most of the world is following his example of tax reform. Nobody felt inclined to ask him how he felt about some of his own legacies - the deficits, the collapse of private thrift, the turmoil in the banking and savings industries, the increase in poverty and homelessness and the widespread fear that the US is losing the competitive race.

All this might be forgiven if the result were good enough. Economics respond only slowly to radical new incentives, and the Reagan programme has itself changed radically between his two terms in office. On the evidence, however, it is still very hard to decide how good the economic performance has been, let alone whether it will justify its heavy financial cost.

The experience of Reaganomics has undoubtedly made the majority of Americans feel good, and this is worthwhile in its own right; but how far are these feelings supported by the facts? Anyone trying to measure the effect of Mr Reagan on output and employment would need a magnifying glass. Until the end of 1987 there was nothing to measure. The growth rate, as shown in the official figures, was almost exactly the same in the first seven years of Mr Reagan's presidency as in the four years of Mr Carter's.

The figures may in any case be too flattering: academic critics, and indeed the Federal Reserve, have questioned the official output figures, and the Department of Commerce has confessed that its treat-

ment of computers does tend to exaggerate. Growth has probably slowed a little. Job creation has certainly slowed, from about 2.2 per cent annually in the Carter years to about 1.9 per cent; this probably has more to do with the baby boom than with government policies. In spite of this slight labour constraint, productivity is also roughly in line with its long-term trend. Since most other developed economies have fallen well below their previous growth trends, this can still be counted as a creditable record - but only mildly creditable.

The retreat from Reaganomics

Worse, the budget projections which made the programme mildly plausible were based not on the Reagan price pledges, but on Congressional projections which included high inflation. Mr Paul Volcker had not yet proved that a monetary squeeze would reduce inflation faster than even the monetarists had hoped. The fact that the academic monetarists in the Administration, led by Mr Beryl Sprinkel, were at war with some of Mr Volcker's detailed practices meant that the credibility which might have made up for the loss in revenue took some years to establish.

The more enthusiastic Reaganians still try to blame Mr Volcker not only for the recession of 1981-2, and the stock market fall which presaged it, but for the whole sequence of budget deficits. The recession and the unforeseen fall in inflation sapped revenue, they argue, and opened a gap which it is taking years to close. While it is true that an unindexed tax system can dig traps of this kind so far as inflation is concerned, real growth,

as we have seen, has been fully up to trend. In any case, the same apologists like to claim that the Reagan experience has borne out the Laffer Curve, since the rich contribute more to the revenue at low rates than they used to under high ones. Having it both ways is something of a mark of Reagan apologetics.

The fact is that the Reagan's were self-inflicted. It is easy, so long after the event, to forget just how awful the first Reagan budgets were. The revenue estimates were based on quite implausible growth projections, and the spending plans introduced something new to the fiscal armoury - the asterisk, marking spending cuts as yet unspecified. This detail was brought back to memory by Herbert Stein's splendid account in his book, *Presidential Economics*. Mr Stein was chief adviser to President Nixon and a member of President Reagan's Economic Policy Advisory Board, and so is hardly a hostile witness. He summed up the effect of these budgets in one sentence: they robbed US fiscal policy of any rationale.

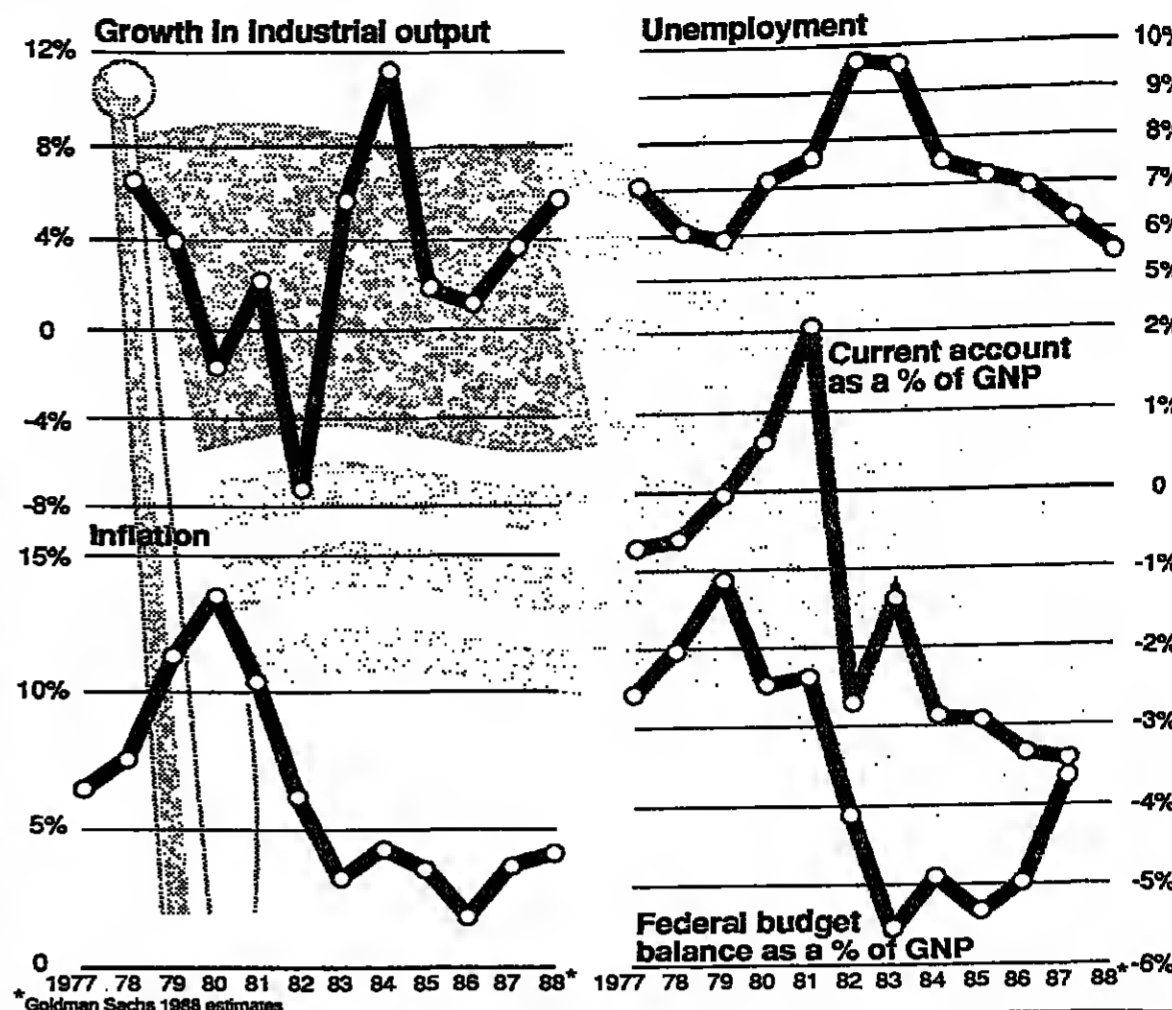
They were faulty as incentive packages, too. The tax breaks for personal saving diverted enormous sums into individual retirement accounts (IRAs), but did not prevent a fall in gross saving. The high investment incentives for corporations also proved diversionary. Recession, and the subsequent rise in the dollar to absurd heights, cut industrial investment sharply.

The hole was filled by a boom in real estate development, financed largely by deregulated savings and loans, which were desperate for new business to cover their running losses on old fixed-rate mortgages. Their losses on this second round of business are still being totted up. It is worth adding, though, that there have been some economic benefits. Reform and monetary co-operation are perhaps the best of the Reagan legacy. They can be described as triumphs, because both were regarded as impossible when they were proposed; the special interests in Congress would never stomach tax reform, while the currency markets would treat official exchange rate objectives as a provocation.

planned, and remains a fruitful puzzle for academic seminars. The official explanation was that Mr Reagan had inspired an insatiable world demand for dollar assets; this pushed up the dollar, and dragged trade into deficit. Monetary economists are divided between those who blame Mr Volcker for creating a worldwide dollar famine, and those who blame an irrational hulk market. Distinguishing between cause and effect remains one of the most difficult (and least acknowledged) problems in economics.

Whatever the explanations, the dollar chart marks the clearest watershed between the President's two terms. By the beginning of 1985 American industry had won a hearing; it had to have protection or a more realistic exchange rate. The currency market turn in February 1985 was covered by the Federal Reserve, and later sanctified and reinforced by the long series of agreements in the Group of Seven. Market forces in the foreign exchanges were overridden to protect what was left of a free market in goods: Mr Reagan had at length admitted that even a simple-minded creed can involve dilemmas.

Mr Reagan, then, has abandoned his agenda and apparently lost his political battle; in his final domestic speech he deplored the continuing dominance of the Congress. But if Congress is not tamed, it is sobered. The private sector has achieved no growth miracles yet, but is far more confident and far less complacent than when he took office (the contradiction here is only apparent). It remains to be seen whether this state of mind will survive.



Goldman Sachs 1988 estimates

Congress and SEC to investigate buy-outs

By Anthony Harris in Washington

BOTH the US Congress and the Securities and Exchange Commission plan to investigate the economic implications of leveraged buy-outs, it was disclosed in hearings yesterday. Yesterday's hearings, in which Mr David Ruder, SEC chairman, gave evidence to the finance sub-committee of the House committee on energy that management could exploit its advantage in terms of inside information.

The House committee will urge the SEC to bring in tighter rules governing the "fairness statement" which is shared between management and the public before they are being offered. Mr Edward Markley, chairman of the sub-committee, said that at present these statements were drafted by banks, which are offered a fee incentive if the deal goes through. The rules should require a "hands-off" assessment by a bank with no interest in the outcome of the offer.

While the SEC is concerned with this and other disclosure issues, he said, it was also monitoring State legislation which in some states has been devised to hamper buy-outs and takeovers. The Republican members of the committee were also concerned that new rules might prove excessively restrictive. Representative Norman Lent said that while investors and the public must be protected from abuses, "I think that those who want to throw a monkey wrench into the operations of the free market have the burden of proof."

He argued that LBOs reinvigorate large corporations that may have grown sluggish, and may already be the most intensely regulated transactions in the US system. The purpose of the hearing is to fix the Congressional appropriation for the SEC's operating budget.

Sally Army struggles to supply US Christmas cheer

Increased demand and competition for donations present a difficult challenge, reports Nancy Dunne

DESPITE the frantic last minute Christmas shopping in the Columbia, Maryland, mall - the elegant glass-domed building which serves as the city's town centre - charitable giving is by no means forgotten. Underneath the huge Christmas tree, formed by 1,200 live poinsettias and among the Santa Clauses, all of whom have real beards, a Salvation Army kettle is stationed and shoppers stop frequently to unload their change. Miss Susie Floyd, a Sally Army "soldier" for the past five Christmas seasons, rings her Christmas bell during the entire nine hours she stays on duty. A sales clerk nearby, Mrs Cheryl Baird, watches the action and says it wouldn't be Christmas without the Salvation Army - bell ringing and all.

There are, however, many who disagree. Increasingly, the Salvation Army is getting edged out of lavish US malls, where the uniforms do not quite match the decor. "They tell us that if they let us in, they have to let everyone else in," says Colonel Raymond Cooper, commander of the Maryland and West Virginia region. At least two of the malls in the wealthiest Maryland suburbs have locked the "Army" out, and others permit stations only outside in the cold, where shoppers are less inclined to stop. Some malls have forbidden use of the bells on the grounds



New York Christmas: A down-and-out in Manhattan sleeps on a stone bench, beneath a huge seasonal wreath

Peru guerrillas target cities

By Veronica Baruffati in Lima

SENDERO Luminoso, Peru's Maoist guerrilla group, is making it increasingly clear that it wants to cut the country's cities off from their power supplies and from the agricultural hinterland.

Forty-two power lines along the Andes have been blown up in the last two months, leaving most of the country without electricity and water for days. Water and electricity are still being rationed in parts of Lima.

At the end of last month, the group destroyed four of the country's biggest dairy producing centres in the Calabude complex, causing millions of dollars worth of damage. Two French aid workers were murdered by Sendero Luminoso in an attack on a small agricultural development project. The list is endless. Despite five years of military

intervention, Sendero Luminoso has managed not only to maintain its influence in areas where it began activities nine years ago, but has extended it to 21 of Peru's 24 departments. It has diversified activities from assassinating authorities, "executing" mayors and peasants, blowing up electricity pylons and placing bombs in public buildings to wreaking havoc with the agricultural sector.

Several international volunteer groups have recalled their volunteers from the field and are instructing them to stay in the main cities until further notice. The UN has done the same. UN workers in Peru are being recommended to leave their families in their home bases and return to Peru alone.

Sendero Luminoso's presence is most markedly felt in

Ayacncho, Apurimac, Huancaavelica and Alto Huallaga. A three-day strike called for by Sendero Luminoso in Ayacucho was a complete success last month.

This week, the group called for a five-day strike in Huancaayo. On the first day, most establishments did not dare open their doors. On Wednesday, Mr Armando Villanueva Del Campo, the Prime Minister and Mr Luis Pilloles, Health Minister, flew to Huancaayo, where they walked through the streets urging people to ignore the call for the strike.

"You should not feel intimidated by a few rumours or threats. We ministers are also threatened but we are out walking through the streets. I don't be afraid of genocidal terrorism, we have to join forces and eradicate it," the Prime Minister said.

Brazilian port workers ready to end strike

UNION officials said the Brazilian port strike, now in its 10th day, was expected to end last night, Reuter reports from Rio de Janeiro.

The union recommended acceptance of a government offer of a 10 per cent pay rise on January 1 as part of a pay review to be completed by June and a punishment or pay deductions for strikers. The union had demanded a 38 per cent pay rise backdated to November 1. The offer was to be put to a general union meeting last night.

A spokesman for the state port authority said workers in Espirito Santo state, including the coffee port of Victoria, and in Rio Grande do Sul, had returned to work, but others, including those at the main Santos port, were still out. Coffee prices fall, Page 24

Mexican Finance Minister to take tough line on debt

By Henry Tricks in Mexico City

MR Pedro Aspe, Mexico's Finance Minister, flew to Washington yesterday for talks on the country's \$100bn debt, but the tougher stance that he is expected to take has not quieted opposition parties at home.

Twice this week President Carlos Salinas de Gortari's economic strategy - tied closer than ever to a successful renegotiation of the debt - came under attack by the Chamber of Deputies from opposition legislators of all political persuasions. They argued that the 1989 budget proposals pander to the interests of foreign bankers.

Mr Aspe will meet Mr Nicholas Brady, US Treasury Secretary, Mr Barber Conable, the World Bank president, and other financial leaders in

Washington. Mexico is seeking up to \$7.5bn in new loans this year and a restructuring of its \$100bn foreign debt.

In a marathon session on Monday to defend last week's budget proposals, Mr Aspe urged "national unity" ahead of debt talks next year in order to achieve a firm renegotiation and \$7bn in foreign credit. This, he said, was vital to achieve a 1.5 per cent growth rate next year.

On Wednesday the 2.8 per cent cut in public spending revealed within the budget was attacked by legislators as a continuation of the economic austerity that has steered the country for six years - described by them as a "glaring failure" which has slashed the spending power of the labour force.

Sullivan set to be US Health Secretary

By Nancy Dunne in Washington

US President-elect Mr George Bush was yesterday expected to name Dr Louis Sullivan, president of a Georgia medical school, as Secretary of Health and Human Services. He will be the first black to join the new cabinet.

Mr Bush was said to be ready to choose Dr Sullivan, described as a close friend, in spite of opposition from right-wing Republicans, because Dr Sullivan supports a woman's right to abortion under some circumstances.

Dr Sullivan, president of the Morehouse School of Medicine in Atlanta, has promised to choose strongly anti-abortion officials for high-level jobs in the department. A political independent, he has said he favours abortion in cases of rape, incest or when a mother's life is endangered, but he opposed federal financing of abortions, except in life-threatening cases.

This is much too liberal for many anti-abortion groups. They also have concerns about issues like the use of foetal tissue in research, which could fall within the jurisdiction of the department chief.

Durable goods orders beat expectations

By Our Foreign Staff

NEW factory orders for durable goods in the US rose a seasonally adjusted 0.1 per cent in November from the previous month to \$122.89bn, the Commerce Department said yesterday.

This was significantly higher than market expectations. Excluding strongly anti-defence capital goods, which fell 17.6 per cent last month after a steep increase the month before, overall new orders for durable goods rose 1.8 per cent last month, the department said.

New orders for non-defence capital goods, considered a barometer of future plant and equipment spending, rose 2.6 per cent in November. October's figures for the increase in durable goods orders was revised up to 2.9 per cent. It was initially estimated at 2.4 per cent and then revised downward to 2.3 per cent.

OVERSEAS NEWS

Sharp exchanges mark signing of Angolan treaties

By Michael Holman, Africa Editor, in New York

ACRIMONIOUS exchanges at yesterday's formal signing of two treaties paving the way to Namibia's independence and the withdrawal of 50,000 Cuban troops from Angola...

27-month phased withdrawal of 50,000 Cuban troops from Angola as a "moment for celebration". From this point, however, old enmities began to surface...



Arens: Shamir loyalist

Hardline Arens has a tough task ahead

By Andrew Whitley in Jerusalem

THE appointment of Mr Moshe "Misha" Arens as Israel's Foreign Minister brings to the fore one of the most able, and one of the most hardline men in the right-wing Likud team...

with the difference that this time, six years later, the PLO has been brought in from the cold. Much of his task will be to try and convince the incoming Bush Administration to abandon the US dialogue with a body most Israelis still insist is made up of recidivist terrorists...

years, then, at the age of 33, he moved to Israel, soon after the birth of the state. His fluent English still carries a strong American twang. More important for his political career, Prime Minister Yitzhak Shamir, Mr Arens is on the same wavelength as the Americans and intensely loyal to Mr Shamir himself...

some within the Likud for the annexation of the West Bank? "It would not be consistent with Camp David to apply Israeli law to further areas," he replied. The 1978 accord may be dead and buried as far as the rest of the world is concerned, but Mr Arens sees no problem in disinterring them if it provides Israel with a semi-credible line of defence...

state-run Israel Aircraft Industries, Mr Arens was also the most vocal defender of the costly Lavi combat aircraft, and he resigned briefly from the cabinet over the 1987 decision to scrap it before it went into production. A member of the newly enlarged ministerial "inner sanctum" together with Mr Shamir, Mr Shimon Peres, the Labour leader, and Mr Yitzhak Rabin, the Defence Minister, his influence will be felt beyond the confines of his portfolio. Long viewed as the 73-year-old Likud leader's heir apparent, the quiet-spoken American-Israeli has taken another stride towards the top job.

LIST OF ISRAELI MINISTERS

THE following is a list of Israel's national unity government submitted to parliament yesterday:

Table listing Israeli Ministers: Prime Minister and Labour Minister (Yitzhak Shamir), Vice Prime Minister and Minister of Finance (Shimon Peres), Foreign Minister (Moshe Arens), Defence Minister (Yitzhak Rabin), etc.

PARTY AFFILIATIONS: Lik - Likud; Lab - Labour; Shas - Sephardi Torah Guardians

Shevardnadze hints at SE Asia base pullout

By Richard Gourlay in Manila

MR Eduard Shevardnadze, the Soviet Foreign Minister, hinted at the prospect of unilateral withdrawal from military facilities at Cam Ranh Bay in Vietnam...

national boundaries. He announced he had called on the foreign ministers of eight Asian countries to meet soon to discuss how the zone could be negotiated. He also said Indonesian ships would be calling at Cam Ranh Bay...

Sudan's faltering steps to peace

Julian Ozanne assesses prospects for ending the five-year civil war

SUDAN'S parliament has finally taken its first tentative step towards approving a peace process launched over a month ago with the aim of resolving the five-year civil war raging in the country's southern region...

mass rally in the capital that all DUP ministers had handed in their resignations to Mr Mohamed al Mirghani, the party leader, in anticipation of moving into political opposition...



He has been anxious to retain the political initiative of peace without surrendering ground either to the NIF or the DUP. He has personally welcomed the accord and praised the DUP's role in the negotiations but he has refused to bring the terms before the cabinet and so risk alienating the NIF...

But after a marathon six-hour debate, parliamentarians stopped short of giving the peace pact an official government stamp of approval - a key condition laid down by the two sides which negotiated a deal last month in Addis Ababa - the rebel Sudan People's Liberation Movement and the Democratic Unionist Party, a leading member of Sudan's ruling coalition...

With only ten days to go before the constitutional conference is due to be convened there is growing tension among the proponents of peace. Colonel John Garang, leader of the SPLM, accused the Prime Minister earlier this week of dragging his feet. "It is 35 days since the peace agreement was signed and Sadiq's government has not gathered enough political will and courage to endorse it," he said in a rebel radio broadcast...

But preparation in Khartoum marks a recognition by Mr al Mahdi and his Umma party that there is substantial opposition to the conditions of the peace pact from the third leading member of the coalition, the National Islamic Front. Even before the agreement was negotiated last month unidentified gunmen attacked the Khartoum home of Mr al Mirghani. And Mr Hassan al Tourabi, leader of the NIF and Sudan's Minister of Justice, has described the accord as a surrender to the SPLM and said his party will quit the government if a freeze on Islamic law is enforced...

There is also a recognition that the SPLM is under unprecedented pressure from the Ethiopians. Its major backer, who are anxious to cut their military expenditures and resolve their own civil wars in Tigray and Eritrea, Ethiopian rebels rely heavily on Port Sudan for food and medical supplies. Unofficially there has always been an acceptance in Khartoum and Addis Ababa that resolution of the civil wars in southern Sudan and northern Ethiopia are linked. Last weekend Ethiopian Prime Minister Fikre Selassie visited Khartoum for talks with Mr al Mahdi and leaders of the three main Sudanese political parties. On his return home to Addis Ababa a joint Sudanese-Ethiopian communiqué was released which pledged the two sides to "work together to take all necessary measures against all elements which undermined the national unity, territorial integrity and political stability of the two countries..."

Syria and Egypt make moves of conciliation

By Victor Mallet

SYRIA and Egypt, estranged for more than a decade over Egypt's peace overtures to Israel, yesterday moved closer to a reconciliation after a flurry of diplomatic activity in the Arab world. President Hosni Mubarak of Egypt, in an interview in the Saudi newspaper Ashraq al-Awsat, said he would welcome a visit to Cairo by Mr Hafez al-Assad, the Syrian President. Mr Mubarak said there had been contacts between the two countries through King Hussein of Jordan. Saudi Arabia also seems to have been acting as a mediator, amid increasing efforts to readmit Egypt to the Arab League and present a united Arab front to press for an international Middle East peace conference. Mr Assad meanwhile made conciliatory remarks about Egypt, praising its importance in the Arab world and favouring the idea of Egypt-Syria cooperation, although Mr Mubarak said an Egyptian offer of a meeting between the

two Presidents in Damascus was turned down by the Syrians. Hardline Syria may be prepared to bow to moderate Arab demands in return for Arab attempts to restrain Iraqi interference in Lebanon, where Iraq has been supporting anti-Syrian Christian forces. Six Gulf Arab states pledged yesterday to work for lasting peace between Iran and Iraq through contacts with the international community and permanent members of the United Nations Security Council. Reuter reports from Bahrain. The heads of state of the six Gulf Co-operation Council nations, including four Opec countries, also vowed to abide by an Opec oil output pact for the first half of next year. In a communique at the end of a four-day summit, leaders of Saudi Arabia, the world's largest oil exporter, Kuwait, Qatar, the United Arab Emirates and non-Opec Bahrain and Oman urged co-operation among all oil producers.

Malaysia orders economic study

By Wong Sulong in Kuala Lumpur

THE Malaysian Government has announced the setting up of a multi-racial body to draw up a broad-based economic policy for the period beyond 1990. The programme, likely to be known as the National Economic Policy, will replace the controversial New Economic Policy (NEP) which has been the Government's blueprint for nearly 20 years. Dr Mahathir Mohamad, the Prime Minister, in announcing the formation of the 110-member Economic Consultative Council, said the Government wanted all views to be represented in the formulation of the post-1990 policy, as promised in its 1986 general elections manifesto. Malay leaders also realise that it is vitally important to obtain agreement across the

racially diverse economic future of the nation, because the international environment is likely to be less favourable, and Malaysia must rely on its own resources for growth. There will be an equal number of Malays and non-Malays on the council. Dr Mahathir's ruling United Malays National Organisation will send ten representatives, as will its Chinese partner, the Malaysian Chinese Association. Opposition parties, government critics, business and consumer groups will also be represented. The NEP was launched in 1970 after bloody racial riots in which several hundred people were killed. It has the twin objectives of eradicating poverty and restructuring society to create a modern, entrepre-

neur class among the politically dominant, but economically weak Malay community. This policy of "positive discrimination" in favour of the Malays has, understandably, drawn criticisms among the Chinese, who feel their progress is being retarded. Dr Mahathir has acknowledged that Malaysia would achieve much faster growth without the NEP, but this could widen the economic disparity between the races, and threaten racial harmony. The Government recently amended its licensing rules to apply only to businesses with shareholders funds exceeding Ringgit 2.5m (\$500,000), which exempts most small Chinese enterprises from the NEP rules.

Tunis budget plans for increase in personal spending

By Francis Ghiles

DESPITE A more than doubling of its current account deficit, to an estimated Dinars 200m (£23m) this year, a boost to personal spending is a key feature of the 1989 draft budget which the Tunisian Government has presented to the National Assembly. Since the bread riots of 1984 and even more so during the past two years, a policy of severe austerity imposed after the collapse in the price of oil, some measures to close the deficit have liberalised the economy have cut the purchasing power of most of the population and led to a reduction in employment. Last year's drought followed by the worst plague of locusts in 90 years has cost the equivalent of 30,000 jobs and cut agricultural output by one quarter. Imports of foodstuffs nearly doubled this year to TD455m leading to a 60 per cent increase in the country's trade deficit to TD87m during the first ten months of the year. But the 15 per cent rise in imports over one year, to TD3.62bn, has also been boosted by a 20 per cent rise in the import of capital goods, to TD515m - a sign that investment is slowly picking up from the very low levels of the past two years. Exports have performed well, rising by 14 per cent in constant prices for the second year running, while tourism has produced a major miracle. Three million tourists - and their numbers increased by 50 per cent in one year - earned Tunisia TD1.1bn, more than half as much again as in 1987. Remittances from Tunisians working abroad also rose. The Central Bank was thus able to rebuild its foreign currency reserves to \$850m, enough

to cover three months imports. Salaries were increased by TD15 a month for civil servants at the beginning of October while increases of between TD5 and TD15 were granted by the private sector. Productivity bonuses will be paid from January 1, 1989, earlier than had been expected. A boost to local demand is seen as necessary in the run up to parliamentary and presidential elections due next year. The budget reflects the boost being given to consumption. Whereas capital spending is forecast to rise by 8.2 per cent to TD1.23bn, current spending will rise by 18 per cent to TD1.45bn, reflecting a higher wage bill. Ministers hope that the private sector, both at home and abroad, will shoulder 48 per cent of new investment, against a share of 42 per cent this year. Tunisian businessmen remain cautious, however, not so much because they are waiting to see which state companies the Government will sell off but because of recent events in North Africa. "Virulent denunciation of the US 'satan' and of Europe's 'diabolical manoeuvres' to divide the Arab world and sell it junk" by Col Muammer Gaddafi, the Libyan leader, to the National Assembly in Tunis the week before last are not calculated to increase the confidence of the private sector. Tunisians will at least enjoy the benefit of the autumn's plentiful rain - the prospect of a good crop will not only boost morale but also, in a few months, the purchasing power of those 40 per cent of Tunisians who live on the land.

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UK NEWS - LOCKERBIE DISASTER

US embassy received warning 2½ weeks ago

By Lionel Barber in Washington

AN anonymous telephone caller warned the US embassy in Helsinki 2½ weeks ago of a plan to blow up a Pan American jet flying from Frankfurt, a US State Department official said yesterday.

Mr Ronald Spiers, Under Secretary for Management, said the warning was relayed to the Federal Aviation Administration which then notified US embassies, relevant foreign governments and airlines flying in the European region, including Pan Am.

According to two separate reports in Washington (by the Associated Press and CBS) yesterday, the caller claimed to belong to the Abu Nidal group, a radical Palestinian faction and said the bomb would be placed aboard a Pan Am jet and would be carried by a woman.

An unclassified notice was circulated on December 13 to US embassies around the world and copies were posted on boards. It was headed: "To All US Embassies. Subject: Threat to Civil Aviation."

The notice said an unidentified individual had telephoned a US diplomatic facility in Europe on December 5 and had warned that "sometime within the next two weeks there would be a bombing attempt against a Pan American aircraft flying from Frankfurt to the US."

The notice went on to stress that there was no way the FAA could assess the reliability of the information, but appropriate authorities had been alerted.

Hours after Flight 103 crashed in Lockerbie, killing all 258 passengers aboard, Pan Am said the airline had received "no threats, no indication that anything was wrong." It added: "There were no indications prior to the flight that there were any problems on board the aircraft and no signs that inclement weather was a factor."

Mr Spiers, who has responsibility for all US diplomatic personnel, said numerous threats against airlines were received and all were taken

ADMINISTRATIVE NOTICE
American Embassy, MOSCOW
December 13, 1988

TO : All Embassy Employees

SUBJECT: Threat to Civil Aviation

Post has been notified by the Federal Aviation Administration that on December 5, 1988, an unidentified individual telephoned a U.S. diplomatic facility in Europe and stated that sometime within the next two weeks there would be a bombing attempt against a Pan American aircraft flying from Frankfurt to the United States.

The FAA reports that the reliability of the information cannot be assessed at this point, but the appropriate police authorities have been notified and are pursuing the matter. Pan Am has also been notified.

In view of the lack of confirmation of this information, and because of the discretion of individual travelers in any decision to alter their personal travel plans or changing to another American carrier, this does not affect the traveler from flying an American carrier.

seriously unless they were obvious hoaxes.

He noted that the State Department's responsibility for disseminating information did

not go beyond informing its employees, other government departments and the airlines.

While much of the initial circumstantial evidence pointed

in the direction of a terrorist attack against Pan Am 103, US officials remained cautious about drawing conclusions about the fate of the airliner.

One official said sabotage was "obviously a major possibility" but said it would be some time before an investigation could uncover the cause of the crash.

A State Department official knowledgeable about terrorism said the US was discounting the initial claim of responsibility by the Guardians of the Islamic Revolution. "We are not taking that claim as valid."

He said, however, that the faction had been active recently, having murdered a supporter of the late Shah of Iran in Kensington, London, last month.

The US official said a team of US investigators was on its way to the crash site. However, he stressed that the US wished to co-operate with the British investigation. The FBI has also offered its assistance.

A State Department Working Group has been set up to deal with the disaster. It includes several top US officials, as well as the State Department's chief of counter-terrorism, Mr L. Paul Bremer III.

Recovery of data recorders helps search for cause

By Michael Donne, Aerospace Correspondent

THE SEARCH for an explanation of the Pan Am Boeing 747 disaster will be helped by the recovery yesterday of the two flight data recorders from the wreckage.

The recorders appeared to be in good condition. They were delivered to the headquarters of the Department of Transport's Air Accidents Investigation Branch (AIB) at the Royal Aerospace Establishment, Farnborough.

The recorders, known as "black boxes" even though they are customarily painted orange, contain taped details of the functioning of the engine, hydraulics and other systems. Any deviation from normal can be identified, often enabling the cause of an accident to be established.

The AIB, under Mr Donald Cooper, chief inspector, is already focusing on the possibility of sabotage, although it will also be studying whether metal fatigue could have caused catastrophic failure of the pressurised cabin.

The jagged chunks of metal will also hold vital clues. Different types of explosion cause different "tear signatures" in metals. A piece of metal disfigured by a bomb blast has a different "signature" from a fragment detached by metal fatigue, or by the plunge to earth after failure has occurred at great altitude.

That accounts for the call by police for souvenir hunters to hand in every piece of material from the crashed aircraft, no matter how small or apparently insignificant. Quite apart from hindering the investigation, souvenir hunters are breaking the law by retaining fragments which remain the property of Pan Am.

Because the accident occurred in UK airspace, the AIB is the sole organisation responsible for finding out what went wrong.

However, it will accept help from its US equivalent, the US National Transportation Safety Board, and from the aircraft's manufacturers, Boeing Commercial Airplane, part of the Boeing conglomerate of aircraft, missile and space companies. It has already called in pathologists and other specialist assistance.

The AIB is responsible to Parliament through the Transport Secretary, Mr Paul Channon, by-passing normal Civil Service channels. It has wide-ranging legal powers.

That was demonstrated yesterday when details of the final track of the aircraft, as recorded by the Scottish air traffic control centre at Prestwick, were impounded by the AIB. Other authorities were denied access to the information.

Aviation experts move towards agreement on sabotage theory

By Andrew Gowers

DESPITE the mystery surrounding Wednesday's Pan Am air crash, there was a growing consensus among aviation experts yesterday that it was the result of sabotage.

Mr David Kyd, spokesman for the International Air Transport Association in Geneva, said: "Aircraft just don't disappear when they are cruising at 30,000 ft. Sabotage is the likeliest scenario, but of course not the only one."

Hijacking is a more common form of airborne terrorism than bombing, partly because terrorists often want to practise extortion rather than to wreak wanton destruction.

However there have been a number of attempted aircraft bombings in recent years. With one exception the most notorious deliberate downings of aircraft have been committed by national armed forces (such as the Soviet military's shooting down of a Korean airliner in 1983) rather than terrorists.

The exception, and the most obvious parallel with this week's crash, is the 1985 tragedy in which 329 people died when an Air India Boeing 747 apparently exploded in mid-air and plummeted into the sea off Ireland.

Both then and on Wednesday, radar contact between the control tower and the aircraft was suddenly lost. And both times, the aircraft was travelling at its cruising altitude, whereas most air accidents occur during take-off and landing.

In the case of the Air India crash, nobody claimed responsibility, but investigators concluded that the flight had been sabotaged with a suitcase packed with explosives.

Suspicion fell on Sikh activists fighting the Indian Government for an independent state in Punjab.

A similar disaster was narrowly averted at London's Heathrow airport in April 1986, when an attempt was made to smuggle a bomb on to an El Al flight bound for Tel Aviv. A Jordanian was subsequently convicted in connection with this incident, for which Britain held the Syrian Government responsible.

This time, the suspicion of sabotage was reinforced when

it emerged that the Federal Aviation Administration in Washington had been alerted to the danger of a bomb attack by repeated telephone warnings from an anonymous Arab caller to the US and Israeli embassies in Helsinki.

Yesterday morning brought a claim of responsibility, though US officials and the Finnish Foreign Ministry said there was no apparent link with this week's disaster.

An anonymous caller to two American news agencies in London, claiming to speak on behalf of a group known as the "Guardians of the Islamic Revolution," said that what he termed "this heroic execution" had been undertaken in revenge for the accidental shooting down of an Iranian Airbus by the US frigate Vincennes in July, in which 290 people died.

If this week's disaster was caused by sabotage, the question arises: which of the myriad groups practising international terrorism could have wanted to perpetrate such an act; and with whose assistance?

There is a grim irony to the claim that fanatical pro-Iranian militants were involved in the explosion, since it came just as the West was beginning to breathe more easily about relations with Iran, which had frequently been accused of links with international terrorism since the 1979 Islamic revolution.

After the Airbus was shot down, Iranian leaders threatened revenge in vague terms, but they have since decided to sue for peace with Iraq and have been working hard to mend fences with foreign powers.

The Tehran Government yesterday dissociated itself from the latest disaster, categorically denying involvement although it had not in fact been accused.

Mr Mir Husein Mousavi, the Prime Minister, said: "Targeting a passenger plane is a big crime to which the Islamic Republic itself has fallen victim time and again over the past 10 years."

"It is a crime if sabotage was the cause of the Pan Am crash. But an even worse crime is the

military attack by a government on a defenceless passenger plane as the USA did against the Iranian Airbus."

Despite the concluding remark, there is some reason now to believe the disclaimer of top-level official involvement. Now that it is obviously trying to steer a more pragmatic course, the Iranian leadership would have no obvious interest in such a senseless act of destruction.

That is not to say, however, that radical factions in the deeply-divided country, or radical supporters of the Islamic revolution abroad, would not feel moved to take matters into their own hands.

The Guardians of the Islamic Revolution have cropped up once before, having claimed responsibility for an assassination attempt on an exiled Iranian politician in July 1987.

It has been suggested that the group is linked to Shia terrorist groups in Lebanon such as Islamic Jihad, which may provide an ominous clue in that US officials yesterday confirmed that American embassy employees from Beirut and Nicosia were on the ill-fated aircraft and that the US ambassador to Beirut had planned to be aboard.

But as Prof Paul Wilkinson, an expert on terrorism at Aberdeen University, pointed out yesterday, there are many groups who would have been capable of and prepared to commit such an act. Chief among them are radical Palestinian factions opposed to the policies now being pursued by Mr Yasser Arafat, chairman of the Palestine Liberation Organisation.

There have been fears that one or other of these groups might commit a major act of violence, possibly against a PLO or US target, since Washington agreed last week to open a dialogue with the organisation.

Indeed, 13 members of a Damascus-based group known as the PFLP-GC were arrested in West Germany several weeks ago. Subsequent reports have said they were planning a major terrorist attack in Europe. Another possible candidate is the notorious guerrilla faction led by Abu Nidal.



Charles Price, US ambassador, leaving the scene of the crash

Boeing 747 is among safest and most popular airliners

By Michael Donne

THE BOEING 747 "jumbo jet" is not only one of the most popular aircraft in service today but also one of the safest. It has revolutionised long-distance air travel since it entered service in January 1970, when Pan American inaugurated the first commercial service from New York to London.

Out of 883 747s ordered, 710 have been delivered and most of those are still in service. Collectively, they have carried more than 800m passengers flying more than 12bn miles in over 24m hours.

Thirteen 747s have now been lost from a variety of causes since the aircraft first entered service. However, most of those accidents have been due to pilot errors, including the worst, in Tenerife in 1977, when two 747s collided on the runway, killing 609 people.

Only five of the accidents have been due to causes other than pilot error, including the aircraft that crashed at Lockerbie on Wednesday evening.

Of the other four disasters, one involved the Korean Air Lines aircraft shot down by the Soviet air force in September 1983 with the loss of 269 lives after straying into Soviet air space.

A Japan Air Lines 747 crashed near Tokyo in August 1985, with the loss of 524 lives, after part of the fuselage blew

off, damaging the tail controls. The cause was later found to be earlier faulty repairs to the aircraft's rear fuselage.

Another accident was to a South African Airways 747 which crashed near Mauritius in November 1987 with 160 deaths, believed to be caused by a leak of chemicals or explosives in its cargo hold.

The fifth accident was the Air India 747 which crashed into the Atlantic off the southern Irish coast with the loss of 329 lives in June 1985, the cause subsequently being attributed to a bomb put on board before it had left Canada.

Thus Boeing can rightly claim that the structural integrity of the 747 in normal operations is among the highest of any type of aircraft.

Mr David James, of Boeing, has said that even though the Pan Am 747 was the 15th aircraft of its type built by Boeing and had therefore already had one of the longest in-service lives, it still had only flown for 72,000 hours and had only made 16,500 flights, or 33,000 "cycles." A cycle consists of one take-off and one landing.

The overall in-service life for any 747 is not less than 25,000 flights or 50,000 cycles, and several other types of aircraft - such as older Boeing 727 tri-jets and 737 twin-jets, which

entered service before the 747 - have flown for many more cycles than that.

Moreover, the Pan Am aircraft, Clipper Maid of the Seas, was part of the US Civil Reserve Air Fleet and had been renovated in the autumn of 1987 and structurally reinforced to withstand the rigours of war duties.

These facts indicate that, while some kind of structural failure because of metal fatigue cannot be ruled out, it seems to be a less likely cause of the accident than an act of terrorism.

That is especially so when it is borne in mind that structural failure through metal fatigue is a much better understood phenomenon than it was in the early years of jet airliners and that a close watch is maintained on the structures of all commercial aircraft as a matter of routine maintenance.

The Pan Am aircraft had undergone its most recent check on the ground (carried out every 250 flight hours) in San Francisco only a week ago.

The airlines' faith in the aircraft remains unshaken, and no one is suggesting cancelling any orders. There are 160 747s still to be delivered, all of the latest, ultra-long-range model, the Series 400. It is capable of carrying 412 passengers over non-stop distances of 8,470 statute miles.

Government carries top security burden

By Lynton McClain

THE GOVERNMENT is responsible ultimately for security at Heathrow airport, the world's busiest international airport.

Statutory standards for security at airports were laid down by the Aviation Security Act 1982 and are implemented by the Department of Transport.

These standards reflect annex 17 of the Chicago Convention, signed shortly after the Second World War, which sets minimum international standards for aviation security at international airports in signatory countries. National requirements that are over and above the convention standards are implemented by governments as required.

In the UK, the Transport Department oversees the security operations at Heathrow airport. The department said last night it was setting standards, but how these are implemented is up to the airport operator in conjunction with the police and the airlines that use the airport.

At Heathrow, the Metropolitan Police help to co-ordinate and supervise a complex array of subsidiary security operations, including those of the airlines which are responsible for their own security, in common with international airport practice.

The security operations are operated by the 150 airlines, independently of one another, that use Heathrow; by the management of Heathrow Airport Ltd; by BAA, the airport holding company; and by the army.

The police have been involved with security at Heathrow since 1974. Previously security was in the hands of the British Airports Authority.

Until two years ago the police presence at Heathrow was discreet. Their profile was raised dramatically early in 1986 when armed officers were given approval by the Home Secretary to carry, visibly and conspicuously, their German Heckler and Koch sub-machine

pistols as a deterrent to would-be terrorists.

The decision came as the Government's response to terrorist attacks at Vienna and Rome airports on December 27 1985. Terrorists lobbed hand grenades and fired automatic rifles in simultaneous attacks on the Israeli El Al airline check-in counters at the two airports, killing 17 and wounding 116 people.

The police operate a special Security Division at Heathrow under a commander, the highest operational rank. All the officers in the division are trained to use firearms. Separately, the Metropolitan Police Special Branch operate in plain clothes all the time.

Both the visibly armed Security Division officers and the Special Branch officers are on duty throughout the airport.

While the police have overall responsibility for security at Heathrow, their task is complicated by the existence of the four other, separate security operations at the airport.

They include those carried out by Heathrow Airport, the company set up by the Government on privatisation of the former British Airports Authority. BAA has the ultimate administrative control of the airport and has control over corporate policy for security.

The army also has a security role at Heathrow and acts in support of the police and always under their authority. Occasionally, and deliberately unpredictably, the army is called out for security exercises with armoured cars and for genuine emergencies at the airport. However, unlike some continental airports, such as Munich, armoured cars and tanks do not routinely patrol the airport.

The final level of security is provided by the airlines. Each is responsible for provision of its own security around the check-in desks, the luggage-handling arrangements and in the cargo areas.

WORLD INDUSTRIAL REVIEW

The Financial Times proposes to publish a Survey on the above on

23rd January 1989

For a full editorial synopsis and advertisement details, please contact:

Sue Mathieson

on 01-248-8000 ext 4129

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Bracken House, 10 Cannon Street
London EC4P 4BY.

FINANCIAL TIMES
EUROPE'S BUSINESS NEWS

UK NEWS - LOCKERBIE DISASTER

Commons united in refusing to speculate on disaster

By John Hunt and Tom Lynch

MR PAUL CHANNON, Transport Secretary, repeatedly refused to speculate yesterday on whether a terrorist bomb had been responsible for the Lockerbie air disaster.

At a press conference following a statement in the Commons, he took a cautious line and said it was possible that there could be a different explanation for this "appalling accident."

The Transport Secretary was asked about a telephone call to a news agency in London from someone claiming to represent the Guardians of the Islamic Revolution. The caller said the movement had "carried out this heroic execution" in revenge for the American shooting down of an Iranian airliner in the Gulf earlier in the year.

"I would not make any comment about that at this stage," Mr Channon said. "It is unwise for me or anyone else to speculate." In the Commons, he gained general support among MPs for his statement that speculation about the cause of the tragedy would be "premature and quite wrong," though many members made clear they suspected sabotage.

At his press conference, Mr Channon was questioned about the views of experts who said that sabotage was the only possible explanation for the crash. "That is not the case," he replied. "There are other explanations that could explain this appalling accident."

The wreckage was spread over a 10 to 15-mile area and had to be examined very carefully. He said it was not known whether Pan Am Flight 103 was losing height at the time of the explosion. "We know the plane must have broken up at some high altitude but we don't know what altitude." Two minutes before the crash, contact with the aircraft had been "wholly routine." However, it was clear from sources close to Mr Channon that the possibility of an act of terrorism is being given high priority in the intensive investigation into the crash.

The Scotland Yard Anti-Terrorist Squad has been brought into the inquiry. The investigation is focusing on events at Heathrow prior to the take off of the aircraft.

One aspect concerns the length of time the flight was on the ground at the airport as it

awaited the connecting flight from Frankfurt before departing for New York. Having flown in from the US, the aircraft was on the tarmac for six hours from inchtime onwards. Other inquiries centre on the transfer of passengers' luggage from the Frankfurt flight to the Jumbo.

Mr Channon said that investigators would be looking very carefully at the way the baggage had been handled, but he said there was no evidence to suggest that there was any loophole in this area. He confirmed that there was no other aircraft in the vicinity when the tragedy occurred.

The Transport Secretary told the Commons that the inquiry by his department's air accident investigation branch would be carried out "with all the urgency appropriate to an event of this kind." A report would be published as soon as possible, with an initial bulletin on the first stage of the investigation "shortly."

He promised MPs that, before the report was published, "if action is shown as being necessary in any field, we will take it straight away." There was general approval



Paul Channon: "unwise...to speculate"

by MPs for Mr Channon's promise that any lessons learned during the disaster inquiry would be acted on immediately.

Several Cabinet ministers, including Sir Geoffrey Howe, Foreign Secretary, and Mr Douglas Hurd, Home Secretary,

were in the chamber to hear Mr Channon's statement. Mr Neil Kinnock, Labour leader, and Mr Roy Hattersley, his deputy, listened from the opposition front bench.

A succession of MPs expressed shock at the scale of the disaster, sympathy for the

hereaved and admiration for the emergency and rescue services. Mr John Prescott, shadow Transport Secretary, described the event as "a nightmare come true."

Mr Prescott said the disaster, hard on the heels of the Clapham rail crash, made this month one of the worst in two years which had also seen the sinking of the Herald of Free Enterprise, the King's Cross Underground fire and the Piper Alpha disaster.

"We can never make travel totally safe, but in 1989 we must redouble our efforts to maintain and improve safety in our transport industries."

Mr David Steel, the former Liberal leader, whose Tweeddale, Ettrick and Landerdale constituency adjoins the area, called for low-flying exercises by military aircraft over the Borders area to be suspended over the holiday period. He said people's normal anxieties about low-flying aeroplanes would be heightened by the disaster.

Mr Channon said he would refer the request to Mr George Younger, Defence Secretary. Mr Brian Wilson, Labour MP for Cunningham North, told

MPs: "There are two interlocking tragedies - the horror of a major air crash allied almost uniquely to such devastation on the ground. Lockerbie will endure a prolonged aftermath of human suffering, psychological trauma and physical damage." He called for "generous resources" to help the people of the area recover from the disaster.

Mr Channon said Mr Malcolm Rifkind, the Scottish Secretary, was on the scene to assess the area's needs. The government would contribute to the emergency fund being set up by Borders Regional Council.

While most MPs refrained from direct speculation about the cause of the disaster, several expressed confidence in the safety of the Boeing 747 and in the security measures in force at British airports.

The minister agreed with Mr Norman Godman, Labour MP for Greenock and Port Glasgow, that experience after the Piper Alpha disaster showed that assistance and compensation could be given to the relatives of victims of such tragedies "in a rapid and expeditious way."

Pan Am is still eighth largest airline

By Michael Dnnne, Aerospace Correspondent

PAN AMERICAN is still the world's eighth largest airline in terms of passenger-kilometres flown, in spite of financial problems in recent years.

The airline flew a total of 42bn scheduled passenger-kilometres in 1987, including international and US domestic operations, according to the International Air Transport Association.

On international routes alone, it ranked number three, after British Airways and Japan Air Lines, with 33.5bn scheduled passenger-kilometres flown.

The airline last year celebrated its 60th anniversary, having been founded by the legendary Mr Juan Trippe in 1927. Its first service was from Key West, Florida, to Havana, using a Fokker F-7 tri-motor aircraft.

Mr Trippe was a visionary, but also a good businessman. He built Pan American into one of the world's great pioneering long-haul airlines. By last year, the airline operated a fleet of 113 jet airliners and 14 turboprop aircraft, over a route network of 234,000 miles to 81 cities in the US and 66 cities round the world.

Pan American has always been associated with advances in commercial aviation. From its early collaboration with Sikorsky before the Second World War, it developed the long-range flying jets that opened the Atlantic (in collaboration with Imperial Airways of the UK) and Pacific air routes.

In 1948, Pan Am introduced the economy class seat to world aviation, and offered tourist class fares across the Atlantic in 1952.

Probably its biggest contribution to world commercial aviation development, however, was the support it gave to the development of the Boeing 747 "jumbo jet" in the mid 1960s, when it was still the most influential airline in the world.

At that time, Mr Bill Allen, then president of Boeing, flushed with the success of his Boeing 707 four-engine long-range jet programme, was thinking of spending a vast sum on the world's biggest airliner.

Pan Am was interested, and in 1965 Mr Trippe is reported to have said: "If you'll build it, I'll buy it." Mr Allen's response was: "If you buy it, I'll build it."

From that conversation, the 747 was born, with an order from Pan Am for 25 of the first Series 100 aircraft at \$20m (£11m) each. The transaction was worth in the mid 1980s over half a billion dollars, including spares, and was at that time the world's biggest airliner deal.

Other airlines were obliged to follow Pan Am. When the first 747 rolled out in late 1968 from its assembly factory in the forests north of Seattle in the US Pacific north-west, Boeing knew it had a winner.

Pan Am was the first airline to put the 747 into service, in January 1970. Pan Am's subsequent financial history has been chequered, with serious labour difficulties that have plagued the airline and obliged it to sell off many of its assets.

Nevertheless, as the late figures show, it remains a leading force in world airline affairs.

Crash highlights low compensation limits

By A.H. Hermann, Legal Correspondent

THE CRASH of the Pan American Boeing 747 is another reminder of the inadequacy of compensation limits imposed by international agreements on claims made by aircraft accident victims or their relatives.

Where the airline route includes a point in the US this limit is still only \$75,000 (\$41,725 per passenger). The amount was based on the 1929 Warsaw Convention and increased to its present level by the Montreal agreement in 1966.

As Pan Am Flight 103's destination was New York, the limit applies in this case. Some airlines increase the limit contractually, although they do not always show it by the small print on tickets.

No such limit applies to those who suffered in a disaster but not as passengers - those living in or visiting Lockerbie will be able to claim compensation from Pan Am free from any special limitation.

The liability of the airline is strict, both towards its passengers and other victims of a disaster. That means that negligence on the part of the air carrier does not have to be proved.

This should speed up litigation or settlement negotiation, as the admission or proof of

negligence is otherwise the most difficult obstacle faced by claimants.

As it is thought probable that the crash of Pan Am Flight 103 was caused by an explosion on board, one has to consider what legal consequences that would entail for victims and their families if it is established that the crash was caused by terrorist action.

Before 1966, airlines could avoid the strict liability if they proved that the accident was caused by terrorists in spite of all necessary precautions having been taken by the airline.

The Montreal agreement removed that exemption from strict liability. Moreover, if it were to be proved that a terrorist attack was made possible by the negligence of airport authorities, further claims, additional to those addressed to the airline, could be made against them.

In the view of the Association of British Insurers, a terrorist act would not trigger the "war and civil commotion" exclusion clause in insurance policies because there was no declaration of war and a terrorist act is not an act of war. Although that is no doubt true in the present case, the same might not apply in, say, Beirut conditions.

The original limitation of air carriers' liability of the Warsaw Convention, still mentioned in air tickets, was expressed in gold francs, and that still underlies the present limitation. Calculated on the current price of gold, the limit would now be \$165,000. However, in a cargo-loss case, the US Supreme Court held that the conversion had to be at the "official" rate of \$42 per fine ounce, which resulted in \$20,000 only.

Nor could the Pan Am claimants benefit from the higher limit agreed in the Montreal Protocol of 1975. Its limit, equal now to some £25,000, already applies to British carriers. But the protocol has not yet been ratified in the US - the ratification bill was only recently introduced in the Senate.

In the Lockerbie disaster, almost all those whose houses, cars and other property were damaged will have their own insurance policies. These normally exclude double cover, however, so that whatever is received from Pan Am will be deducted from the insurance claim.

By contrast, travel or life insurance policies are as a rule strict contracts, promising specific payments in case of injury or loss of life which would be additional to whatever is

received from Pan Am. Experienced travellers, aware of the restrictions of the Montreal agreement, know the value of protecting their families with travel insurance. Some charge and credit cards provide automatic insurance when tickets are billed to them.

The bereaved families of passengers would have a chance of obtaining compensation beyond the limit of the Montreal agreement if it could be proved that the destruction of the aircraft was due to the failure of the aircraft or some of its components - the engine or navigation system for example.

In such a case, the passengers' families would have a product-liability claim against the manufacturer or some of its subcontractors or suppliers. Such claims made in the US courts could result in awards running into millions.

Nor would the limits of the Montreal agreement apply if the claimants could prove that there had been recklessness.

For example, that an airline had been aware of a fault, which subsequently caused an accident, but had still allowed the aircraft to take off. However, the initial evidence of the Flight 103 disaster suggests that these circumstances do not apply.

State Department officials among dead

By Joel Kibazo

THE US Embassy in London said yesterday that four State Department officials were among the victims of Pan American Flight 103. The officials were thought to be on their way home from Beirut.

Also on the aircraft was a group of US military personnel based in West Germany and their families, and another group of British-based US students on their way home.

Pan Am yesterday released the names and partial addresses of the 16 crew members of the flight but refused to release the names of the victims until all the next of kin had been informed. Some of the casualties, however, were named by other sources.

Mr James Fuller, 50-year-old vice president in charge of Volkswagen in the United States, and 33-year-old Mr Lou Marengo, the company's marketing director, died in the crash, according to a Volkswagen official in Troy, Michigan.

Also killed was Mr Mark Rein, treasurer of Salomon Inc and of Salomon Brothers, its investment banking subsidiary. Mr Rein was responsible for strategic global funding, global bank credit facilities and asset-liability analytical support.

Another victim was Mr Frank Ciulla, 45, a senior executive of Chase Manhattan Bank. He was chief financial officer of the Chase Investment Bank, the bank's London merchant bank offshoot.

Mr Bert Carlsson, a Swede who was United Nations Commissioner for Namibia, was also aboard.

Mr John Mulroy, director of international communications for Associated Press, died with five members of his family. Mr Mulroy had joined AP in 1984 after 25 years with Pan Am.

Mr Louis D. Boccardi, AP president and general manager, said Mr Mulroy had guided the streamlining of our international news and picture communications systems.

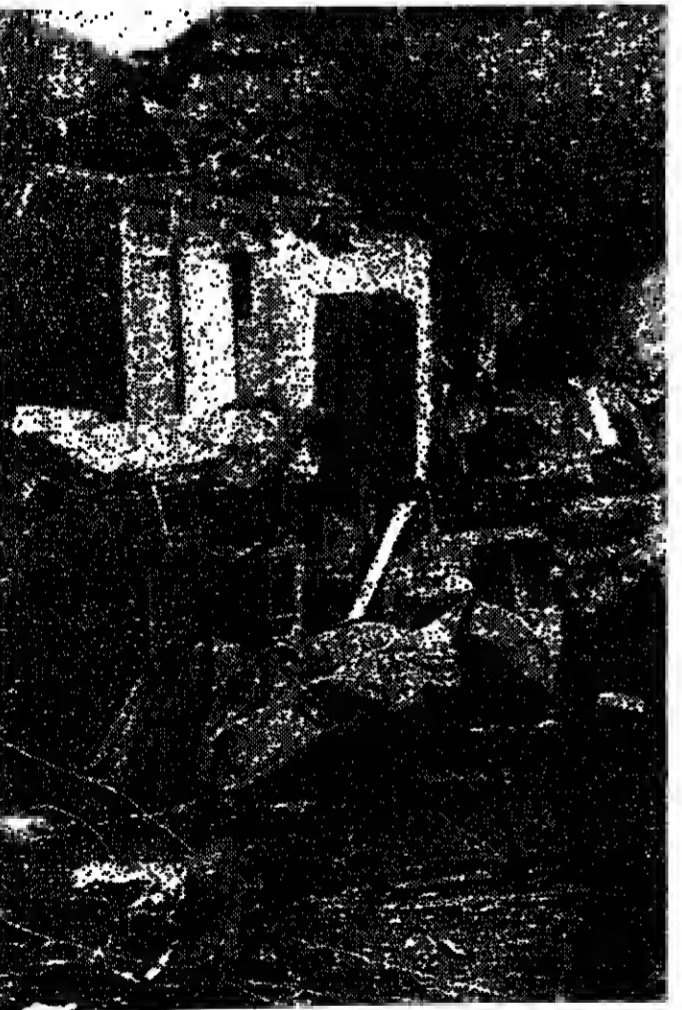
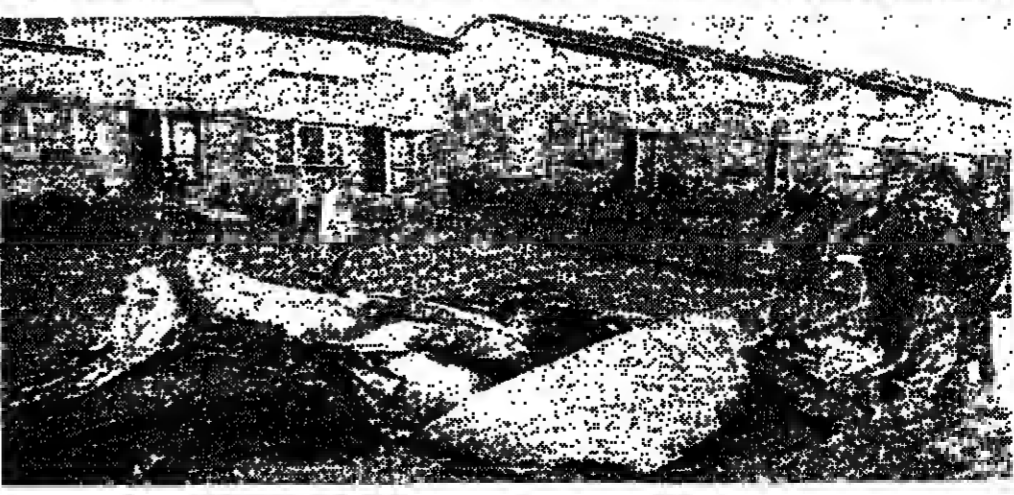
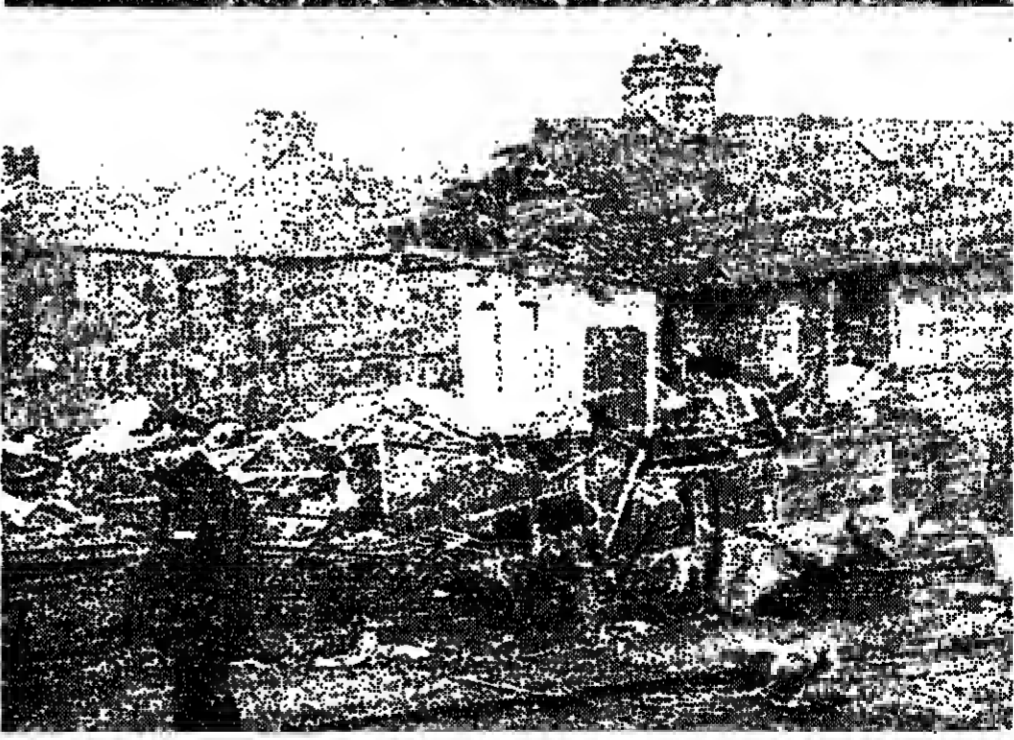
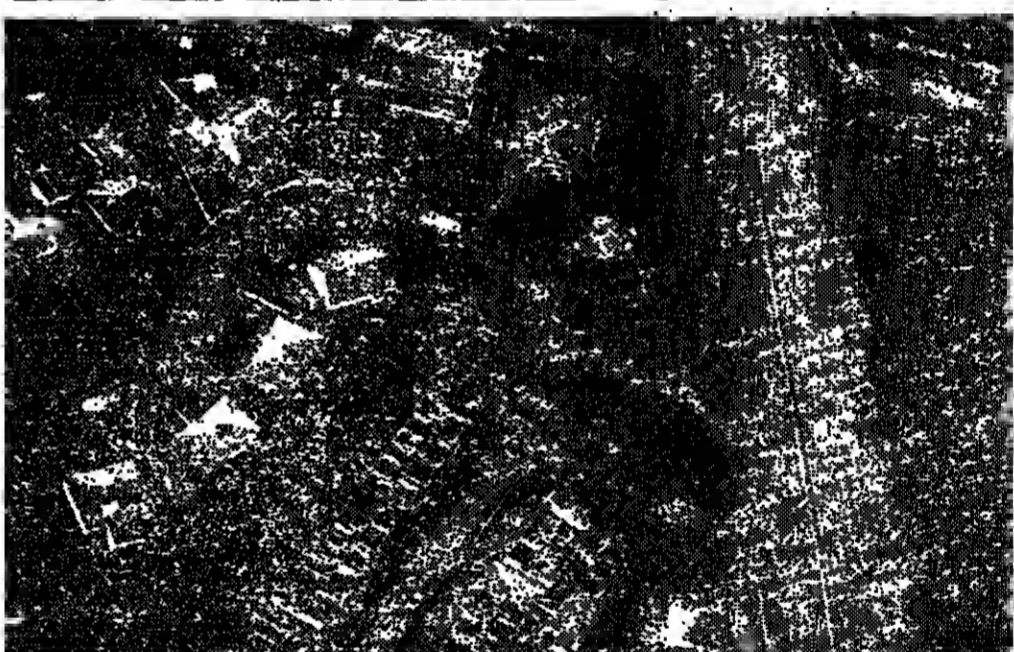
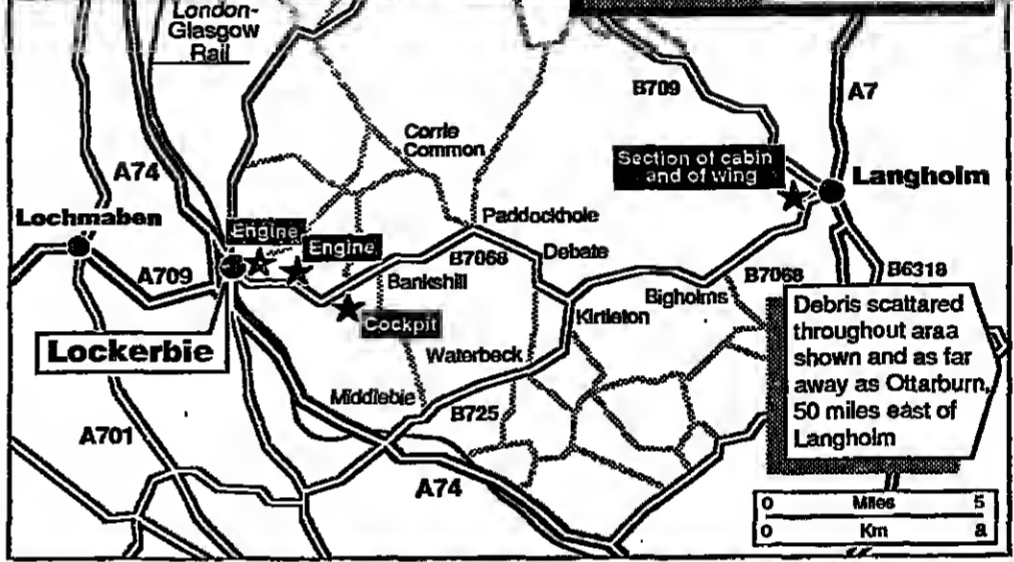
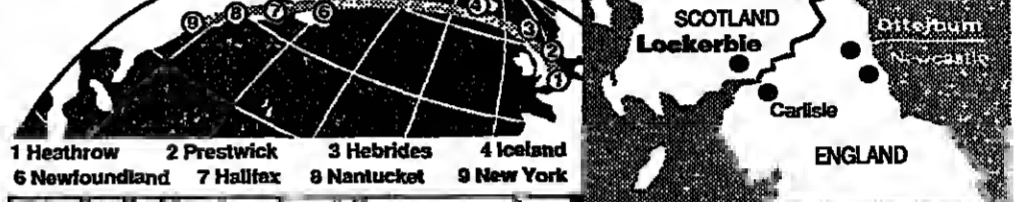
Hundreds of calls jammed switchboards at US bases in Britain on reports that British-based US servicemen were also aboard flight 103. However an official at RAF Mildenhall in Norfolk, one of the US bases, said no British-based personnel had been on the flight, as far as they were aware.

A group of 38 students from Syracuse University, in New York State were studying at the London centre of the University. A centre spokesman said: "We are stunned by the news that some of our students were on board, and we are trying to cope with inquiries from friends and relatives."

India 747 over the Atlantic in June 1986, in which 329 people died, was determined by an Indian judge to have been caused by a bomb. Two Sikhs were subsequently prosecuted for placing a second bomb in baggage on an aircraft that flew from Vancouver to Heathrow. The bomb was triggered on the ground in London and no one was hurt.

In 1987 Mr Nezar Hindawai, a Jordanian of Palestinian origin, attempted to place a bomb on an Israeli 747. He was sentenced to 45 years in prison after passing on a bomb to his pregnant, unsuspecting Irish girlfriend, Anne Marie Murphy, before she boarded the aircraft. It was discovered by Israeli security staff.

Great circle Route



A policeman examines the wreckage of a vehicle amid the devastation in Lockerbie

Baggage handling still security's weak link

By Richard Donkin

SUSPICIONS that Pan Am Flight 103 could have been destroyed by a bomb have focused attention on the security of baggage handling at international airports.

Mr John Brindley, of the International Air Transport Association, said yesterday that the determined terrorist that the determined terrorist that the determined terrorist would always find a way through security systems, even those as sophisticated as those at Heathrow's, where 1,200 security staff are employed.

He said that of the three possible ways for explosives to find their way on to an aircraft, the route through the passenger terminal was the least likely. That was because scanning of baggage and passenger search procedures had

advanced to the stage where it was difficult to beat the system.

The second possibility - that a bomb could have been planted by a member of staff - could not be discounted at an airport, the size of Heathrow, which employed so many staff, a large proportion of whom would have security passes allowing them access to the boarding area.

The third, and most likely possibility, was that baggage containing a bomb could have been transferred to the aircraft from an incoming flight. With baggage and mail being transferred from aircraft to aircraft as a matter of routine, this was the weakest security link, he said.

Mr Gordon White, an airport officer representing members of the Transport and General Workers Union at Heathrow, said checks were not normally carried out on baggage being transferred between aircraft. He said he did not know whether or not baggage had been checked when transferred from the Frankfurt flight.

He added that airports were regarded as "clean" areas in security terms, so that once baggage had passed through checks elsewhere it would be unlikely to be rechecked. While while all hand baggage went through scanners, only about 20 per cent of cargo-hold luggage was thoroughly checked.

• The destruction of an Air-

BUILDING SOCIETIES advertisement with contact information for Tim Davis.

INTERNATIONAL RESIDENTIAL PROPERTY advertisement for advertising in the weekend.

UK NEWS

Rover and Honda drop plan to build R8 car in Japan

By Kevin Done in London and Ian Rodger in Tokyo
ROVER GROUP and Honda of Japan are to drop plans for Honda to produce on Rover's behalf a version of their jointly developed small family car.

Fire bombs found in two northern stores

By Richard Donkin
INCENDIARY DEVICES have been discovered in two department stores in the north of England, after fire bombs were found in six other stores earlier in the week and a further store in Plymouth was destroyed by fire.

Why safety will be on the line in London

John Elliott in Hong Kong explains the obsession that guides LRT's new chairman

SAFETY "must be an obsession," says Mr Wilfred Newton, who was named on Wednesday to take over as the new chairman of London Regional Transport, a year after the King's Cross Underground station fire.



Wilfred Newton: a personal stake in safety awareness

Mr Newton was due to retire from the Hong Kong MTR early next year, and was looking for semi-full-time work in the UK when he was approached by Mr Paul Channon, Transport Secretary, about a non-executive board post at London Transport, with a hint of something more.

Mr Newton is highly respected in Hong Kong, for his work at the MTR and as chairman of the colony's Futures Exchange, which he took over after the world market crash last year.

says "significantly more" than the 154,000 a year of his predecessor, Sir Keith Bright, but "somewhat less, depending on the exchange rate" than he is receiving now.

shown in the reviving of the Futures Exchange, and his ability to motivate a team, letting other people do their jobs and also take the credit, is demonstrated at the MTR.

markets, where it raises investment funds and organises currency swaps. "We run the most sophisticated treasury operation in Hong Kong outside the bank," he says.

Final Piper report confirms valve fault

By Max Wilkinson, Resources Editor
THE explosion which wrecked the Piper Alpha North Sea oil platform with the loss of 167 lives was probably caused by a faulty valve in the main gas compressor, the Department of Energy confirmed yesterday.

Software house signs Siemens deal

By Alan Cane
TETRA Business Systems, a small but fast growing UK-based computer software house, has announced that Siemens, the West German industrial giant, has agreed to sell Tetra's software under licence worldwide in a deal that should be worth \$40m over the next 12 years.

High Court curb on use of Anchor name

By Clay Harris
TWO MEN who have resigned as directors of a London-based trade finance house have been ordered by a High Court judge not to pass off the business of a new, similarly named company as having any connection with their current employer.

It does, however, plan to employ five people who once comprised the other companies' entire London-based staff. They include Mr Maurice Schwartz and Mr Michael Leslie Sims, the directors named on Tuesday in Mr Justice Scott's High Court order.

On December 9, Harvey & Thompson announced the acquisition of Anchor Confirming and Finance for up to \$5m, describing it as a "trade finance house" which would change its name to Harvey & Thompson Trade Finance.

until January 1989. The company in question was incorporated as Dovey Financial Services on November 3 and changed its name to Anchor Confirming and Finance on December 8, one day before the purchase by Harvey & Thompson was announced.

relate to their own businesses. Earlier this year, moreover, Harvey & Thompson had been in talks about a possible purchase of the original UK-based Anchor companies. The negotiations broke down in September.

Newspaper trial launch postponed

By Raymond Snoddy
MR ROBERT MAXWELL, the publisher, yesterday announced that he was postponing the UK trial launch of The European, the planned international newspaper.

The UK trial had been scheduled for February in advance of the May 9 pan-European launch date of the daily, to be published mostly in the English language. Mr Maxwell, publisher of Mirror Group Newspapers, said he had discovered that "the melding of the British and French journalists is proving a very difficult task."

Law Society recommends move to contingency fees

By Raymond Hughes, Law Courts Correspondent
A WORKING party of the Law Society of England and Wales has recommended the ending of the law against solicitors conducting litigation on a contingency fee basis.

Water companies appeal on stock build-up

By Andrew Hill
THE WATER Companies Association is to appeal against Wednesday's High Court decision not to outlaw the purchase of private water company stock by Britain's 10 water authorities.

ABS buys program writer

By Alan Cane
ABS Computers, a small UK computer company bought by Trafalgar House a decade ago, has acquired Shortlands Computer Services, a small but well regarded software house, for an undisclosed sum.

Hinkley air risk denied

By David Green
THE MINISTRY of Defence has assured the Hinkley Point C inquiry that the safety of the nuclear power station site in Somerset is not endangered by low-flying military aircraft.

Motorola to build £20m phone plant

By Terry Dodsworth, Industrial Editor
MOTOROLA, the US electronics group, is investing £20m in a new UK manufacturing and headquarters facility at Swindon, Wiltshire, to house its planned expansion into the new generation of digital mobile telephone systems.

Sunday shopping 'favoured'

By Maggie Urry
MORE THAN 90 per cent of Tory Members of Parliament favour changing the Sunday shopping rules, a survey by Young Conservatives suggests.

Water companies appeal on stock build-up

ment seemed to remove the legal obstacles to such a takeover. Wednesday's High Court decision not to outlaw the purchase of private water company stock by Britain's 10 water authorities, which are worth a total of \$60.2m.

Water companies appeal on stock build-up

By Andrew Hill
THE WATER Companies Association is to appeal against Wednesday's High Court decision not to outlaw the purchase of private water company stock by Britain's 10 water authorities.

Table with 2 columns: Company Name and Percentage of Voting Capital. Includes Thames Water Authority Area, Colne Valley Water Company, etc.

Table with 2 columns: Company Name and Percentage of Voting Capital. Includes Folkestone and District Water Company, General Utilities, etc.

Table with 2 columns: Company Name and Percentage of Voting Capital. Includes Severn Trent Water Authority Area, South Staffs Water Company, etc.

Motorola is the only non-European company to have won a substantial stake in the planned pan-European digital system, which is designed to give much greater capacity to mobile telephone networks.

مكتبة من الأصول

Hurd declares 'temporary' derogation from European Convention on Human Rights

UK 'not ready to comply with terror ruling'

By Charles Hodgson

BRITAIN will not comply immediately with the recent European Court of Human Rights ruling that terrorist suspects must have access to a court within four days of being detained, the Government announced yesterday.

Mr Douglas Hurd, the Home Secretary, said that while it remained the Government's wish to meet the Strasbourg court's requirement by introducing judicial review into the procedure for authorising extensions of detention under the Prevention of Terrorism Act, more time was needed to work out with the judiciary a "practical and safe" system.

judgment should be permanently selected." He said that the derogation was justified under Article 15 of the convention which allowed such a measure "in time of war or other public emergency threatening the life of the nation."

from the convention. Mr Barry Sheerman, a spokesman on home affairs for the opposition Labour Party, said that the derogation clearly indicated that the Government regarded the IRA as a threat to the nation, which gave terrorism and terrorists "a status and credibility they neither merit nor deserve."

Ireland and was demonstrating "its determination to persist in a futile policy" in the province. The Government is still considering whether or not to seek prosecution in the Irish courts of Mr Patrick Ryan, the former Irish priest wanted in Britain on terrorism charges, Sir Patrick Mayhew, the Attorney-General, said last night.

TUC membership study poses challenge to union customs

By Charles Leadbeater, Labour Editor

A SPECIAL review body of the Trades Union Congress, Britain's labour federation, is considering a far-reaching plan to introduce a form of "associate" or "protective" membership for workers in small companies.

The paper says unions have found it hard to recruit members in small companies. While union membership rose by 300,000 members a year during the 1970s, union density in sectors dominated by small companies remained almost static.

provision of collective bargaining skills. But for these skills to be exercised requires that unions are granted recognition by the employer. Mr Cairns suggests it could be uneconomic for unions to provide collective bargaining services in a myriad small companies.

Tories back reform to Sunday trade law

By Michael Cassell, Political Correspondent

THE Government will face renewed pressures in the next year to tackle the reform of Sunday shopping laws, following fresh evidence that most Tory MPs believe an overhaul of existing legislation is overdue.

Party managers realise that the issue presents the party with a paradox, given its support both for deregulation and increased competition, as well as for traditional family values.

Phillips and Drew fined £50,000

By Clive Wolman

PHILLIPS and Drew Securities, the securities subsidiary of Union Bank of Switzerland, has been reprimanded and fined £50,000 by The Securities Association, the largest firm imposed by a self-regulating body under the new investor protection regime.

The firm, one of London's leading stockbroking and securities firms for more than a decade, was disciplined primarily because it failed to meet TSA's minimum capital requirements on its quarterly reporting date of July 31 this year. The shortfall of capital in the firm ran into several tens of millions of pounds.

In July and August, the firm failed to notice that 14 months of expenses payable to overseas subsidiaries, which could have been paid directly by its UBS parent, had fallen due and appeared in the firm's accounts. This altered the firm's ratio of debt to equity so that it was no longer within the minimum TSA parameters.

Credit Lyonnais replaces chief of City broking arm

By Norma Cohen

CREDIT Lyonnais, the French bank, has replaced the chief executive of its UK stockbroking subsidiary, Alexanders Laing & Cruickshank Holdings (ALCH) with a senior official from within its own ranks.

Mr Ian Hay Davison, executive chairman of ALCH, rejected the suggestion that Credit Lyonnais wants more control over the firm, saying that the selection of Mr Menard was his own idea. "I asked to have someone from France. We have a lot to gain from closer integration."

BRITISH TELECOM has started talks with the Society of Telecom Executives on the introduction of a career break scheme for women managers.

stockbrokers Quiter Goodison, which it had acquired in the dash into the London securities business preceding the Big Bang deregulation of financial markets two years ago.

Mr Powell is described by former associates as among a vanishing breed of City of London gentleman. After reading divinity at Durham University, he joined his family's private client stockbroking firm, Powell, Popham and Dawes. The firm was acquired in 1977 by Laings, then a stockbroking business.

Ms Beverley McGowen, the STE official responsible for the talks, said it was too early to say what form of career break might be introduced.

IMPLICATIONS FOR AUDITORS

Over-regulated profession feared

By Richard Waters

AUDITORS fear that the Companies Bill published yesterday might do for them what the Financial Services Act has already done for investment businesses: create an expensive, over-regulated profession leading to higher costs for its customers.

tant in Ireland and Chartered Accountants - have operated with little interference from government, even though they have needed the formal recognition of the Secretary of State.

operate in limited companies. The bill requires a majority of the shares and voting rights in an audit company to remain in the hands of auditors employed in the business, but leaves it to the profession to develop more stringent rules.

a version of the General Medical Council to oversee the auditing profession. The wording of the bill also caused concern. For instance, it requires professional bodies to introduce rules to "secure" that auditors are fit and proper.

OTHER PLANS

Share disclosure deadline to be cut to two days

By Clive Wolman

THE BILL will lower the threshold at which a purchaser of shares in a company has to disclose his stake.

INSOLVENCIES

Protection when market participants collapse

By Richard Waters

THE bill contains provisions to help to protect firms active in the UK's financial markets from the sort of "domino effect" that can occur when a market participant collapses.

would be to enable financial markets to function smoothly and to protect other firms involved in the transactions.



Lord Young, responsible for bill

MERGERS

Voluntary notification system established

By Clive Wolman

PROCEDURES for restraining, stopping or approving mergers, which were outlined in a policy paper last March, are to be implemented by the bill.

The proposed merger must be publicised so that other groups can submit their views to the DGFT. It cannot go ahead during the period of consideration, which is extended by the DGFT if required.

ACCOUNTING PRACTICE

Changes designed to stamp out abuses in financial reporting

By Richard Waters

TWO OF THE most contentious areas of accounting practice - off-balance-sheet finance and accounting for acquisitions - are tackled in the Companies Bill.

To tackle that, the bill extends the definition of a subsidiary to include anything over which the group has a "dominant influence".

The changes are designed to stamp out abuses in financial reporting that accountants have been unable to tackle.

The Government said yesterday that the measure was in response to concern about the confusing and sometimes misleading way in which some companies show the impact of acquisitions in their consolidated accounts.

The excuse for bringing these issues into law, rather than leaving them to the accountancy profession to bring into order, is that they arise from the European Community's seventh company law directive on consolidated accounts.

POWERS TO OBTAIN INFORMATION

Foreign investigations allowed

By Clive Wolman

THE GOVERNMENT will be able to conduct an investigation into a company or investment business on behalf of an overseas regulatory body, wielding similar powers to those available for domestic investigation as a result of a provision in the bill.

A similar power is now being given to the Secretary of State if it is satisfied that the request for assistance is for proper regulatory purposes.

Another provision will automatically prohibit any of the parties involved in a merger from buying any further shares in any of the other parties, once a merger is referred to the MMC, without the consent of the Secretary of State.

Investigations will be allowed to seize not only documents but other information held in a non-legible form.

anyone with knowledge relevant to an investigation. Inspectors appointed under the Companies Act are to be given the same powers to enter and search premises as those afforded under the Financial Services Act.

MISCELLANEOUS AND GENERAL PROVISIONS

Amendment will restrict right to sue

By Clive Wolman

ONE OF the most fore-shadowed sections of the Companies Bill has been the amendment to section 62 of the Financial Services Act.

This section gives investors the right to sue an investment firm for losses suffered as a result of breach in the rules of a self-regulating organisation.

Other amendments include changes to the set-off provisions in bankruptcy and to the Policyholders Protection Act.

be entitled to sue under this section. Other amendments include changes to the set-off provisions in bankruptcy and to the Policyholders Protection Act.

MANAGEMENT

Arcor — the sweet taste of exports

Gary Mead explains why an Argentine confectionery maker sees foreign markets as vital to its and the country's interests

Strawberry-flavoured candies Fruity Chews are set to become an increasingly popular item in US supermarkets if Arcor, an Argentine company based in the small town of Arroyito in Cordoba province, has its way.

Arcor, the largest employer in Arroyito, produces a mountain — 22,000 lbs daily — of chocolates, boiled sweets, chewing gum and other children's favourites at its plant there.

With a 60 per cent share of the confectionery market in Argentina, the company is a leading exporter in a country where both governments and entrepreneurs have traditionally maintained content to export 6 feet of tinned for its world quality beef and cereal produce and let the weather do the rest.

That Arcor is even aware of the foreign market may come as something of a surprise to those who know the company's good cause, have come to regard the country's progress as lacking in quality control and distinctly erratic in terms of supply and price.

Neither criticism is true of Arcor's high-tech spotlessly clean plant at Arroyito. That it has, by Argentine standards, a fiercely competitive foreign market, and shows every sign of further progress, owes as

much to a new exporting spirit abroad in some parts of Argentina as to the quality of Arcor's high grade products.

Arcor was set up in 1951 by Fulvio Salvador Paganí, the son of an Italian immigrant. He raised capital from his father's bakery business and from a set of collaborators who still control the business.

Paganí believes Arcor has now achieved as much domestic market share as possible and that "our further development has to be in exports."

Furthermore, he thinks that "Argentina is going to solve its economic problems only with a strong increase of exports. We export to the US, Puerto Rico, Canada, Bolivia, Paraguay, Chile, and we are working on getting market shares in Italy, the Middle East and Scandinavian countries."

Over the years, Arcor's site in Arroyito has been expanded until today it covers 570,500 square feet; it also has 23 plants in 8 different provinces, as well as factories in Brazil, Uruguay and Paraguay. With almost 6,000 employees, 400 different food products, a packaging division and its own 35,000 strong dairy herd to provide milk for its confectionery, the company last year had net sales of \$295m.

Arcor — which takes its name from combining Arroyito with Cordoba — is doing its level best to keep up with new



Arcor has invested heavily in new manufacturing technology, including a fully-automated constant flow line, to an effort to gain a competitive edge

technology by installing a fully automated constant flow line bought this year from Viking-Perkins in the US.

It will turn out over 2,000 pounds of sweets an hour, run by eight or nine people where previously triple that figure was needed.

With machinery from Austria, West Germany, Italy and the US, Arcor is heavily investing at a time of severe recession. Highly advanced digital-controlled machines have been installed throughout the site, particularly in the machine-shop where repairs are carried out by Arcor staff. The Arroyito factory cushions itself from the vagaries of Argentina's power supply by maintaining its own generator.

Arcor is investing in modern machinery to give it an extra edge in export markets. Though it could continue with more labour-intensive production — the country has relatively low wage costs, though not the lowest in Latin America — it feels it cannot rely on this advantage forever and must now match the technology that already exists in the US and similarly advanced countries.

The group gets an average of 150 telephone enquiries a month from potential product purchasers; these are directed to the company by the Argentine commercial attaché in the US. It has built a pleasant mod-

Taking a bite out of working life

Louise Kehoe on a career interruption

For Deborah Coleman, the decision to take five months off work cannot have been easy. The 35-year-old chief financial officer of Apple Computer openly admits to being a workaholic. She is also obsessive about the company. "If you cut my hand I bleed in six colours," she exclaims, referring to Apple's distinctive multi-colour logo.

In the New Year, however, Coleman will resign her job and take a five month leave of absence. She will return to a lesser position as vice president of taxes and treasury, reporting to a new chief financial officer.

Coleman's aim is to find a better balance between career and personal goals. She plans to tackle her weight problem and to curb her addiction to work. Her decision came as a surprise to her colleagues, but many have expressed their support, she says.

Apple Computer has been Coleman's life for the past seven and a half years. "It is difficult for me to imagine working for another company; it would be emotionally wrenching," she says. She recalls excitedly her three years as manufacturing manager. "I was obsessed with manufacturing as a strategic weapon. I gave three years of my life to creating high quality, cost effective manufacturing for Apple."

In her latest position as chief financial officer, Coleman has handled the expanding needs of a company that has grown by 115 per cent in the past two years from revenues of around \$2bn to over \$4bn.

The demands of the job have been extreme, she acknowledges. "I have paid a price in terms of my health and my personal life," she says. Now it is time to redress the balance.

The decision on her return is self-imposed. Coleman has reorganised Apple's financial department, deliberately creating the position that she intends to fill.

Coleman was well aware that her decision would attract wide attention, and she has made use of the interest of colleagues as well as outsiders to promote her view that rising executives should have the courage to reduce their scope of responsibilities, if necessary, in order to align per-

sonal and career goals. "I'm regarded as a role model for many women executives at Apple," Coleman explains, although she feels her situation is common to both sexes. "I don't think it is just Apple, or just Silicon Valley," that puts so much pressure on executives, she says. "I think it is very closely related to the path of the industry you are working in. In our case it is an industry of high growth with rapid changes in product technology and markets."

While others have "dropped out" of the industry or joined smaller companies in search of an easier life, Coleman is choosing a new job at Apple Computer's willingness to recognise Coleman's wishes and to comply with them says much about the high regard in which she is held by the company, but it also reflects the nature of the company in which personal achievement is strongly supported.

As a rising star in the top ranks of Apple's executives, however, Coleman can better afford than most to step a couple of rungs down the corporate ladder without permanently damaging her career. Other women, including those who interrupt careers to start a family, often face tougher choices.

"I'm not sure if I could have done this a few years ago," Coleman admits. Having achieved a senior executive role at Apple, however, she is confident that she will eventually reclaim a leading role in the company.

Coleman's ambition, she says, is to manage an Apple "spin-out" company, of which she expects to see several in the coming years. These companies, like Claris, the recently formed Apple software subsidiary, will be run as independent units within the "Apple Federation", she explains.

In the meantime, however, she points out that Apple's projected growth rate is so high that when she returns to work in the middle of 1989, her "reduced" financial responsibilities will in fact match those she took on two years ago when she was appointed chief financial officer. "We are going to be a \$10bn corporation in the 1990s, you know," she states confidently.

A businessman first, a politician second

WHEN IT comes to exporting, Argentina has historically relied on its huge farming resources to provide its foreign currency earnings. What industry has developed has tended to service the needs of the domestic market only.

However, efforts are being made to change this situation. For instance, Arcor, a confectionery manufacturer based at Arroyito in the province of Cordoba (see above), along with the province's other major export, Eduardo Angeloz, the Radical Party presidential candidate, provide an example. Together, they are taking their products to the

world in trade fairs and tours. More important, Angeloz is keen that both his province, and the rest of the country, should export finished goods as well as commodities.

Jose Gial is Cordoba province's Foreign Trade Minister. In a country where politicians still generally owe their position to friend and favour, Gial is a refreshing relief. Appointed from the private sector by Angeloz, he has the specific brief of increasing Cordoba's exports. Gial is still a businessman first, a politician very much later.

He has organised two foreign trade missions this year

alone. The first took 60 local businessmen to Africa, the Middle East and India. A two week mission in September went to the USSR, Hungary, Italy and Spain.

Cordoba's exports grew from \$278m in 1974 to \$830m a decade later, a healthy expansion of 316 per cent. Gial's team forecast that by 1994, all things being equal, the province could be exporting goods worth \$2.5bn.

Gial comments: "Cordoba's main advantage is that it is the only province [out of 22] which has a ministry devoted entirely to foreign trade. We work alongside the private

sector, looking at the development possibility of their products. We ask them to name a representative as an adviser to the ministry and that person then becomes the nexus between private enterprise and the ministry."

Farm machinery to Nigeria, railway wagons to India, chocolates to Kuwait, are some of the initiatives flowing from both trade missions and support from Gial's ministry. Gial's team also provides studies of foreign markets, documentation concerning the bureaucracy of exporting, as well as assistance for attendance at foreign trade fairs.

working with US businesses in order to get into chain stores.

Arcor's sense that exports are vital for both itself and the country is a key motivation for its export department chief, Juan Carlos Zeppa. "Our exports have grown from \$2m in 1966 to \$12m this year. We've been exporting for 20 years so we have our own experience. The Trade Centre in New York... is very important and of course we're going to have our own stand there."

Why does he think Argentina has historically been so poor in selling its goods overseas? "I think it's partly the responsibility of business itself, which at times has talked about opening up the economy to competition, and at other times opposed it. I think our economy is excessively closed, which makes for poor competition."

"Our products, for example, have many components. Take sugar, which is obviously basic. It's more expensive here than in neighbouring countries which don't. We have to negotiate a special price and, to my mind, never get a real market rate. We have to buy sugar at the price which foreign buyers pay for it."

"Or take paper, another crucial element for us. Here in Argentina there are types of paper, which we have to buy with tax on them of 40 per cent. Or the bureaucracy. To be an efficient exporter you have also to be an efficient writer of necessary bureaucratic papers for this or that state-run body, with all the

How the flight recorders stay intact

By Della Bradshaw

THE FLIGHT recorders from Pan Am's Flight 103, which crashed in Scotland on Wednesday evening, remained intact amid the destruction because their rigorously tested construction protects them from extremes of heat and impact.

One of the two "black boxes" (which are, in fact, a highly visible orange) records sounds and the other data. To ensure that the box can withstand both impact and heat, 5,000 lb weights are dropped on all four sides and it is submitted to temperatures of up to 1,100 deg C for more than 30 minutes.

The two recorders are encased in titanium, steel or an alloy of the two, and are usually two cases with an insulating layer of fibre, foam or chemical crystal between them.

Many of the recording systems have insulating compartments which house water, or chemicals which form water when heated. As water never rises in temperature above 100 deg C (at that heat it absorbs the heat energy and evaporates into steam), it is one of the best insulators.

The tape used is plastic-based and has been specially treated to help withstand heat up to 100 deg C.

The cockpit voice recorder stores all the conversations between the flight crew and the ground staff, as well as those between individual members of the crew. In addition there is an area microphone in the cockpit which records background noise, such as the click of a switch.

The data recorder is fitted in the tail section of the aircraft and captures such information as its height, speed and direction. It also records what other flight equipment was in use at the time of the crash.

After the recovery of the two boxes, the information is extracted and analysed on a computer.

Usually the flight data are displayed in the form of a graph, although with more modern crash investigation systems the computer can simulate a three-dimensional picture of the aircraft's path. The recorder data alongside digitally stored maps.

David Fishlock savours some of the mysteries of culinary science

Food, curious food

Nicholas Kurti, the Oxford physicist, during a television demonstration involving a sensor-ripped soufflé, was moved to remark: "Is it not quite amazing that today we know more about the temperature distribution in the atmosphere of the planet Venus than that in the centre of our soufflé?"

Kurti, a fellow of the Royal Society, then had the notion of asking the wise men of the world's oldest academy for their observations about food and drink. After all, as their president, Professor Sir George Porter, reminds us, the academy began more than 300 years ago as several dining clubs "at least one of which continues today as a subset of feasting fellows." A former president even referred to himself as the "corporate stomach of the society."

Eighty-five fellows responded, to which are added the thoughts of a few no longer feasting, such as Samuel Pepys, Sir Winston Churchill and Sir Stafford Cripps.

Should you pour hot tea into milk, or vice versa? On this weighty issue Dennis Crisp, the marine biologist, remarks that unheated milk binds tannin and neutralises its bitterness. Billed milk does not, and has its own "billed" flavour. Put milk in the cup first and you remove the tannin's astringency without adding an extra flavour, he says.

Sir Samuel Curran, the nuclear physicist, has more serious — if also heretical — advice. "If you have Scotch whisky and its smell," as a Scot I contend that we have far too little scientific knowledge of the most world-famous drink."

He cites research by the US Navy showing that Scotch runs a close second to good-quality vodka in its freedom from heavy alcohol, the kind which causes hangover and other side-effects. But this purity does not extend to its smell, he laments.

Curran urges a search for the offending ingredient — "a small benzene in the totality of attributes of Scotch." Once identified, he believes it could be removed without damaging the drink's essential nature. This could open entirely new markets, not least among women, he believes.

The Nobel laureate Denis Wilkinson, a chemist, relates how, marooned in the Mountains of Utah at a lodge "superbly stocked with a vast and impressive array of spirituous fluids," he won a competition to invent a new drink, one based on liquor which to many palates is rather nasty.

His aim throughout life has been to strive for elegant simplicity, Wilkinson says. He compounded a mixture of one US tablespoonful of tequila to one drop of tabasco. This he stirred carefully to avoid aeration — "highly undesirable." Then he deep-chilled it to 263 degrees Kelvin. With elegant irony, he christened his cocktail a Brigham Young.

Kurti called the title of his anthology from an experiment before television cameras when he served roast loin of pork, half of which he had tenderised with an injection of fresh pineapple juice. Fresh



Nicholas Kurti, with an edible — and therefore not sterilised — boiled egg

"For some years I have remarked to students that we could (almost) explain the chemistry of boiling an egg; frying was beyond us."

Richard Gardner, the Oxford cell biologist, investigated. With the aid of some neat nanotechnology from the Clarendon Laboratory, he found that the white of an egg efficiently insulated the yolk during boiling. Four minutes after immersion in boiling water, the yolk had only reached body temperature. It required 27 minutes of boiling to get the yolk up to 100 degrees C. An edible boiled egg is therefore not sterilised.

Sir Arnold Burgen, the medical scientist, writing on radiation as a way of killing microbes in food, says that although very large doses are needed to sterilise, much smaller amounts have an important effect of the potential of any organism to spoil opponents.

A few foods — chicken, certain shellfish, shrimps, prawns and spices — are currently quite heavily contaminated with bacteria and responsible for much gastro-intestinal upset, he says. "Irradiation therefore has the potential for considerable improvement in food hygiene."

Burgen acknowledges that public reaction to food irradiation has been "almost uniformly hostile." But he briskly dismisses the objections raised by its more vocal opponents.

The technology of the table is addressed by Joseph Keller, the Californian mathematician, who reflects learnedly on the "teapot effect" — why teapots drip. "It is simply that at the pouring lip the pressure in the liquid is lower than the pressure in the surrounding air, so the air pushes the liquid against the lip and against the outside of the pouring container," Keller has, of course, done the maths to prove it.

The chemist will harness the teapot effect to make a liquid pour cleanly from one vessel to another, using a glass stirring rod to channel the liquid. The teapot designer can avoid the problem altogether by making his spout point straight down. Comments Keller: "It's also good to have a thin or sharp lip so that the liquid is forced to leave the surface at its edge, rather than a thick rounded lip which the liquid starts flowing around and tends to continue doing."

According to Kurti, popular ideas that Bird's custard is an early example of a "convenience food" are wrong. It was born of science to beat a digestive disorder in someone who yearned for custard but could stomach neither eggs nor yeast.

This lady's husband, Alfred Bird, an analytical and retail chemist in Birmingham, came up with a formula founded on cornflower which, when mixed with milk and heated, yields "a sauce reminiscent in appearance, taste and consistency of a genuine egg-and-milk custard sauce." He also invented baking powder.

But the Cracking is Superb. An anthology on food and drink by fellows and foreign members of the Royal Society. Edited by Nicholas and Diana Kurti, Adam Hilger.

Converting coal to natural gas

BRITISH Gas has successfully completed a three-year £2m experimental programme to establish the feasibility of making substitute natural gas from coal, using hydrogenation.

The work was carried out with Osaka Gas of Japan. A second stage, costing £4.5m, has been started to bring the process nearer to full-scale commercial operation.

For British Gas, the process is an insurance policy against the depletion of North Sea supplies and their eventual termination. Coal deposits will last a lot longer and the company has been seeking efficient ways of conversion to gas.

There will be no return to the old-styia gasworks. At the heart of the process is a novel high pressure reactor developed at the company's Midlands Research Station (MRS) at Solihull.

Essentially, the reactor makes coal dust (carbon) combine with hydrogen to give methane. Pressures of 60 atmospheres and temperatures up to 7,000 deg C are involved in a continuous process chamber, in which coal dust is injected pneumatically along with hydrogen. The resulting process is self-sustaining from the heat point of view since it is exothermic (produces heat).

A particular achievement has been in preventing the dust, which becomes sticky when first heated, from coming into contact with any surfaces before its conversion.

Unconsumed coal char leaves from the bottom of the chamber and is used in a steam/oxygen flow gasifier to make the hydrogen for the process.

With suitable coal quality and the right levels of pressure, temperature, hydrogen input and time in the reactor, nearly 50 per cent of the coal by weight is turned into methane.

Liquid hydrocarbons are also produced, mainly benzene and naphthalene.

The MRS experimental unit processes about 200 kg of coal dust per hour.

Computer to join the crew

THE ROYAL Aerospace Establishment in the UK has asked Logica, the London software and computer systems house, to develop

an expert system that will take on some of the tasks of military aircrew.

The system will deal with a mass of information from radar, electronic surveillance and other sources.

Expert systems use computers to apply the same knowledge that humans use in coming to decisions about complex situations.

In this case, the human operator must put together fragments of evidence from various sensors to come up with an integrated mental picture of a developing situation.

The Logica system will capture human expertise on how to carry out the tasks. It will apply the best practices systematically and allow the operator to concentrate on higher level decision making.

Rapid increase in faxing

THE USE of facsimile machines in the UK continues to increase dramatically, according to figures released by the British Facsimile Industry Consultative Council (BFICC).

Sales of machines in 1988 are likely to reach 200,000. In the third quarter of this year they exceeded 53,000, double the figure for the same period last year.

Lester Davies, chairman of BFICC, believes that the postal strike earlier this year increased awareness of faxing. During the strike, the unit sales rate doubled and many customers now use their machines routinely for urgent documents.

An information pack is available for those who would like to know more about the subject.

Manufacturing on a desk-top

TECHNICAL insights, the US-based high technology and market research organisation, is forecasting significant growth in desk-top manufacturing in the next 10 years.

This type of manufacturing, which is in its infancy, allows design data held in a computer to be fed straight into a desk-top system. The object or part is made by direct processes, often involving lasers.

A report by Technical Insights, called Desk-Top Manufacturing: The Next Automation Revolution, deals with a number of these techniques and their potential

WORTH WATCHING
Edited by Geoffrey Charlish

for quickly making complex shapes, moulds and prototypes.

In one technique, streams of plastic or metal particles are directed at a target to build up the shape, layer by layer.

In another, a laser beam solidifies a series of horizontal layers of liquid plastic so that the object is built up in a laminated form.

The value of such systems will be that an engineer or stylist will be able to create what is needed on the screen of a computer-aided design system, feed it to the manufacturing unit and have a model of the finished object on his desk in a fraction of the time that would be taken by conventional machining methods.

European paging service

BY THE end of 1989, a European paging service covering key areas in the UK, France, West Germany and Italy should be in operation using a new, common frequency.

Subscribers will have the option of international service when they travel, at extra cost.

This follows an agreement reached at a recent Paris meeting by the national operating companies and bodies.

The UK signatory is Europage, a consortium formed by Air Call, British Telecom, Digital Mobile Telecommunications, Millicom Information Services and Racal Telecom.

CONTACTS: British Gas: London, 021 2444. Logica: London, 027 9111. BFICC: London, 0274 2222. Technical Insights: US, (201) 568 4744. Europage: telephone 07 Mobile, London, 388 4222.

ARTS



EXHIBITIONS

London

Tate Gallery. David Hockney: A Retrospective. London's main gallery of modern art offers a full study of the golden boy of British art at the age of 50. It concentrates on the painting rather than graphic work of this most prolific of artists, who has enjoyed the most extraordinary popular success from the very start of his career, nearly 30 years ago. Ends Jan 8.

Whitechapel Art Gallery. Richard Deacon: a major exhibition of the sculpture made in the past 2 years by the young winner of the Turner Prize in 1987. Also an installation by the painter, Kate Whiteford. Daily except Mondays. Until Jan 22.

Paris

Louvre. Pavillon de Flore. Rembrandt and his school are on show in two exhibitions at the Louvre. 72 drawings constitute a panorama of Rembrandt's mastery and can be compared with 51 drawings executed by his pupils. The other exhibition consists of 20 canvases by Rembrandt's school and is especially interesting in view of the recent controversy about attributions of some of Rembrandt's

own paintings. Both exhibitions closed Tue, the first ends Jan 30, the second March 27. Entry from the Quai des Tuleries, opposite Pont Royal (42 50 39 26). Chapelle de l'Ecole des Beaux Arts. From Dürer to Baselliz. Some 128 drawings lent by the Kunsthal in Hamburg retrace the panorama of German graphic art. From the slightly rustic realism of the 15th and early 16th century, with Hans Baldung Grien's solidly built Eve and Dürer's quaintly dressed lovers, through the 18th century romanticism of Caspar David Friedrich, and on to the nightmarish contemporary images, the visual arts follow closely Germany's historical destiny. 14 rue Bonaparte (93 27 01 18). Ends Dec 31.

Brussels

Le Botanique Contemporary Soviet Painting. Works of 12 modern Soviet painters including Stelberg, Rocter, Edgveradas, Filatov, Chvirkov, Yankilevsky. Closed Monday. Ends Dec 31.

Musée d'Art Moderne. 1-2 Place Royale. The First Group of Luxembourg-St Martin 1898-1914. A tribute to the colony of Flemish artists whose stylised paintings of rural and religious themes were to inspire a later school of Flemish expressionists. Closed Mon. Ends Dec 31.

John Ruskin. The Reader's Digest Collection. Impressionist and Post-Impressionist works from the corporate headquarters in Pleasantville, New York. Closed Monday, ends Jan 22.

Palais des Beaux-Arts. 23 rue Ravenstein-Classe Oldenburg. A panorama of Rembrandt's masterpieces, sculptures, drawings and models that reach beyond the genre of Pop Art. Closed Monday. Ends Dec 30 (512 50 45).

Darmstadt

Heessisches Landesmuseum. Glassworks and paintings of the British artist Brian Clarke will be seen for the first time in Germany. He made his name with his lead glass windows, for the new Synagogue, opened this week in Darmstadt. With the blue and red coloured windows he symbolises the suffering and hopes of the Jews. Ends Jan 29.

Vienna

Albertina. Four Austrian artists who emigrated to New York before the Second World War have now returned, at least in spirit, with their work. Ends Jan 29, 1989.

Historisches Museum der Stadt Wien. (The city of Vienna's Museum for History). A retrospective of Kristallnacht, which took place throughout Austria on the night of November 9 and 10 1938. This exhibition, which takes the form of slides, pictures and maps depicting Austria's 180,000 strong Jewish community before 1938, is an attempt by the Austrian Government to become more open about its ignominious past. Ends Jan 29.

Messepalast. Post-war Austrian sculptures include Alfred Hrdlicka, probably the country's most celebrated artist. His work along with several of his contemporaries are on display for several more weeks.

Herrns Villa. Portraits by the fin-de-siècle artists, Gustav Klimt and Emilie Floega. Ends Feb 19.

Rome

Galleria Nazionale d'Arte Moderna. Giacomo Balla: a retrospective of the futurist painter who died in Rome in 1958, aged 87, thanks to his daughters, Elisa and Luce (names closely linked to the painter's futurist preoccupations), who have donated 35 of their father's paintings to the gallery, which are now added to the six already there, we get a visual biography of a particularly dramatic and eventful life. The show includes lyrical pre- and post-futurist period works, including a series of looting family portraits (until Feb. 28th). Galleria Nazionale d'Arte Moderna. Witty conceptual art by one of the best of the middle generation of Italian artists, Giulio Paolini, born in Genoa in 1940. Until Feb 26.

Venice

Das Kunsthistorischesmuseum. After months of planning, Prague um 1600 finally opened in Vienna last week. It is a marvellous exhibition showing off just how great an influence and a patron was Rudolf II.

New York

Metropolitan Museum of Art. An exhibition of architecture on paper covers four centuries of drawings including works by Frank Lloyd Wright, Louis Comfort Tiffany and Arata Isozaki, as well as the west facade of the Alhambra that dates back to 1500. Ends Jan 8.

New York Public Library. Two millennia of Hebrew books and illuminated manuscripts feature 185 rare and beautiful works, half from the library's own collection and half borrowed from abroad. Among the rarest historic items are Dead Sea scrolls, the 13th-century Xanten bible from Germany and the Nahum Commentary. Ends Jan 14.

Chicago

Art Institute. Dante Gabriel Rossetti, J.E. Millais, Edward Burn-

Jones and Simeon Solomon take centre stage for this British drawings show, called "From the Ridiculous to the Sublime," which covers a century from Thomas Rowlandson's satires through Turner, Martin and Lear to the pre-Raphaelites. Ends March.

Washington

National Gallery. Philippe Collection. The modern vision of the pastoral landscape, with works by Gainsborough, Constable, Blake, Salkins and Cezanne, among others, is part of an unprecedented 150-work, two part show, the other half of which, depicting Verpian landscapes of five centuries. Ends Jan 22.

Tokyo

Telam Museum. Paintings by Leonard Fujita (1866-1968), one of the first Japanese artists to live and work in France and his arrival in Paris in 1913 coincided with the first flowering of modernism. This representative selection of 40 oil paintings is drawn from all periods of his long career.

National Museum of Western Art. Japonisme. A major exhibition, seen earlier this year at the Grand Palais in Paris, which explores the influence of Japan on the art of the West in the late 19th century. The exhibits range from the straightforward representation of Japanese objects, or an added exotic touch in a conventional portrait - such as Monet's depiction of his wife in a red kimono - to copies of Japanese pictures and scenes from Japanese life. Closed Mondays. Ends Dec 11.

MUSIC

London

Fasadena Roof Orchestra. Christmas concert. Queen Elizabeth Hall (Fri) (01-423-9500).

Paris

Vivaldi's Seasons (Mon, Tue, Wed, Thur at 8.30 pm) at Saint-Julian-le-Pauvre Church, 1, rue Saint-Julian le Pauvre (45 56 45 48)

Brussels

Brussels Festival Orchestra conducted by Robert Janssens with Greta De Reyghere, Dominique Moles (sop), Andre Gregoire (tenor) and Victor Demaffis (bar) singing Mozart's Mass in C Minor (Fri).

Antwerp

Collegium Vocale Orchestra and

Chorus conducted by Philippe Herreweghe with Peter Kooy (bass), Howard Crook (tenor) and Barbara Schlick (sop) sing Bach's Christmas Oratorio 16.00 (Tues), De Singel 25 Desguinled (03-237-8158).

Vienna

Organ "Meditation" at the Augustinerkirche (Fri) 18.15. Christmas concert by the Bohol Cossacks from the Don at the Maria Treu Kirche. (Sat) 19.00.

Wiener Hofburg Orchestra. Christmas concert conducted by Gert Hofbauer. Konzerthaus. (Mon) 20.30.

Rome

Teatro Cheloni. (via delle Fornaci, 37) Parodies of Prima Donnas of the Past: Recital by Michael

Aspinall. (Thurs.) (6372294).

New York

New York Chamber Symphony conducted by Gerard Schwarz. Trevor Pinnock (harpsichord). All-Bach programme. Kaufmann Hall, 1385 Lexington Av (Mon, Tue, Thur) (427 6000)

New York Philharmonic conducted by Zubin Mehta. Glenn Dietorow (violin). Kraft, Mozart, Rimsky-Korsakov. Avery Fisher Hall, Lincoln Center (Thur) (759 9895)

New York Corno & Sacbut Ensemble. Paul Elliot (tenor), Ludwig Senfl, Giovanni Gabrieli. Merkin Concert Hall (Thur) (303 6719)

New York String Orchestra conducted by Alexander Schneider. Rieko Aizawa (piano). Beethoven, Mozart. Carnegie Hall (Thur) (247 7800).

OPERA AND BALLET

London

The Royal Ballet. Covent Garden. Ashton's Cinderella marks the pantomime season (Dec 27, matinee and evening). At Sadler's Wells, that theatre's branch of the Royal Ballet presents Giselle Dec 23, 28 and 29 (no performances on Dec 24, 25 and 26).

Festival Ballet. Festival Hall, presents The Nutcracker twice daily from Dec 26

Paris

Theatre de la Ville. Merce Cunningham, who compares water to the fluidity of dance, dances in four programmes with his ever revolutionary company. (42 74 22 77).

Opera. Offenbach's Orpheus aux Enfers conducted by Alain Lombard shows the joyous elegance of the Second Empire in a dazzling production by Jean-Louis Martiny (47 42 53 71).

Theatre des Champs Elysees. The 20th International Dance Festival (Les Geants de la Danse). Altina Assymuratova, Jorge Donn, Sylvie Guillem, Dominique Khalfouni, Manuel Legris, Faruk Ruzimalov and Peter Schaufus dance to the choreography by Marius Petipa, Roland

Petit, Maguy Marin and Maurice Bejart. The Festival continues till Jan 5th (Festival info: 47 39 28 26)

Brussels

Theatre Royal de la Monnaie. Norma (concert version) with Sharon Sweet as Norma. Sir John Fritchard conducts the chorus and orchestra of the Monnaie (20.00 Sun, Wed), 218-1211.

Tanztheater Reinhild Hofmann of Bremen presents Callas, a dance performance based on the diva's most famous roles. 20.00 (Tues, Thurs), 22.30 (Wed), 218-1211.

Palais des Beaux-Arts. Les Ballets Russes brings dancers from the Kirov and the Bolshoi to perform scenes from Sleeping Beauty, Giselle and other works. (Tues) (512 86 79).

Vienna

Staatsoper. Ballet: La Fille mal Gardee, conducted by Sason, with Robert Kerris. Oteil, conducted by Garcia Navarro. Cast includes Gabriele Benackova-Cap, Wladimir Atlantow, Richard Burke. La Traviata, cast includes Waltraud Winesner, Richard Burke, Giuseppe Taddei, Salome, conducted by Hans Wallat, with Hil-

egard Behrens, Helga Dernesch, Anthony Raffell. (Tel: 61444, ext. 2680).

Volksoper. Hansel und Gretel, conducted by Dietrich Bernert. Das Land des Leechelns, conducted by Rudolf Bibl. Die Fledermaus, conducted by Rudolf Bibl. Eissme Kasia, conducted by Herbert Mogg. Der Freischuetz, conducted by Konrad Leitner. Gasparone, conducted by Rudolf Bibl. (51444 ext. 2822.)

Amsterdam

The National Ballet. Muziektheater. In Peter Wright's version of Giselle (Fri, Sat, Mon (2 performances), Wed (matinee), Thur) (255 455).

Madama Butterfly. Muziektheater, staged by the Netherlands Opera and directed by Monique Wagenvoort. Lucas Vis conducting the Netherlands Philharmonic, with Hiroko Nishida (Cho-Cho-San), Jonathan Welch (Pinkerton), Anne Mason (Suzuki) and Henk Smit (Sharpless). (Sun, matinee) (255 455)

Rome

Torre dell'Opera. Puccini's Mamma Lucia conducted by Daniel Oren in Alberto Fassini's production, originally done for

the Turin Teatro Regio, with sets and costumes by Pasquale Grossi. The cast includes Rama Kabaivanska, Patrick Raftery, Nicola Martinucci and Mario Bolognesi (Fri and Tues) 46.17.55

Milan

Teatro alla Scala. Un-cut version of Rossini's William Tell splendidly conducted by Riccardo Muti. The excellent cast is led by Chris Merritt as Arnoldo, Giorgio Zancanaro as Tell and Cheryl Studer (replacing Lella Cuberti) as Mathilde. Luca Ronconi's production has been much criticised for his use of filmed Swiss landscapes as scenery, which tends to divert the action. (Fri and Wed) and Jean-Pierre Ponnelle's Peseiro Festival production of Rossini's "l'Occasione fa il Ladro", conducted by Daniele Casti, with Gloria Banditelli, Luciana Serra and Claudio Desderi. (Sat, Wed and Thurs.) (39.91.26)

Florence

Teatro Comunale. Pao-Luigi Samaritani's production of Puccini's Madame Butterfly conducted by Bruno Bartoletti, with Catherine Maliniano (Cho-Cho-San), Maria Malagutti (alternating with Richard Leech) as Pink-

ton and Jonathan Summers (Sharpless). (Fri, Sun and Wed.) 2779236.

New York

Metropolitan Opera House. Lincoln Center. The first seasonal performance of Hansel and Gretel is conducted by Christof Perle. Frederica von Stade plays Hansel and Judith Blegen, Gretel. La Nozze di Figaro is conducted by Mark Elder in his premiere season, with Roberta Alexander as Rosina, Hai-Kyung Hong as Susanna and Thomas Hampson as Almaviva. Sonja Frisell's production of Aida features Leona Mitchell in the title role, with Lando Bartolini replacing Placido Domingo.

New York City Ballet. State Theatre, Lincoln Center. The 40th anniversary season features 26 works by George Balanchine, 9 by Jerome Robbins, 5 by Peter Martins, and a month of Balanchine's Nutcracker. In addition, works by Laura Dean, Elliot Feld, William Forsythe, Lar Lubovitch, commissioned for this season, will be interspersed in the season, which ends Feb 26. (496 0600)

Airva Alley American Dance Theatre. City Center. Ends Jan 1. (581 7307).

THEATRE

London

Single Spies (Lyttelton). Marvellously entertaining new Alan Bennett plays about Guy Burgess and Anthony Blunt, with Simon Callow and the author. Frimley Scales joins in as Her Majesty the Queen.

National Theatre repertoire until February 4 before transferring to West End (928 2322).

The Wizard of Oz (Barbican). Re-cast revival of last year's RSC Christmas show of the MGM film, scenically a treat but, like the Cowardly Lion, lacking heart. Ends Jan 14 (633 8891).

Richard II (Phoenix). Derek Jacobi in top form - petulant, funny, mellifluous - is both ideally cast and full of surprises as the monarch who exchanges trappings for knowledge. Otherwise, a production of prehistoric values, with created thighs, wimples, trumpets off and Robert Eddison as John of Gaunt (636 2294, CC 240 9861).

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing (378 6107).

South Pacific (Princes of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritone Emilie Beletout out of her hair (329 5959).

The Shanghaiese (Olivier). Recommended Christmas treat, as Boudinot's melodrama is given the full scenic works but is also revealed as a key Irish dramatic milestone. Fine National Theatre cast led by Stephen Rea. (928 2252), Jan 5-19, 19-21.

Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected. (834 1317, cc 836 2423).

Sugar Babies (Savoy). Mickey Rooney and Ann Miller repeat Broadway roles and exhibit stamina and star quality in a mixed bag of coarse burlesque sketches (836 8888).

Amsterdam

The Footsore Theatre with Babylon (Thur), Stadschouwburg (24 23 11).

Eindhoven

The Footsore Theatre with Babylon, based on Bulgakov's Master and Margarita. Stadschouwburg (11 11 23).

New York

Rumours (Broadway). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Egan leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically fine (239 6242).

Les Miserables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history lessons in pageantry and drama (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will barely recognise its US incarnation: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot (396 5610).

Life and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leaveness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

Speed-the-Plow (Royale). David Mamet applies his ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted expose of the film industry (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's glided sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

A Christmas Carol (Goodman). William J. Norris celebrates his tenth season as Ebenezer Scrooge with a cast of 26,


directed by Michael Maggio. Ends Dec. 28 (229 4141)

Tokyo

Kabuki this month celebrates the art of the Onnagata (female impersonator). At the National Theatre, 71 year old Living National Treasure, Nakamura Utaemon VI, plays one of his most famous roles, perhaps for the last time, in Meiboku Sendai Hagii (The Disputed Succession). Performances at noon and (Wed, Fri) at 5pm (265 7411). Meanwhile, the 4.30pm programme Kabuki-za (541 5111) features Osame Hisamatsu, with 35 year old Tamasauro Bando, who is regarded by his large following among young Japanese girls as a paragon of grace and femininity. The 11am programme at Kabuki-za is of less interest. Bumaraku (National Theatre). The puppet theatre is one of Japan's most refined art forms. Each doll has three operators who remain in sight of the audience throughout the performance while a narrator at the side of the stage unfolds the story to a musical accompaniment. Evening performance at 5pm (plus 12 noon at weekends). Chushingura, the famous story of the 47 loyal retainers. Matinee performance at 11am and 3pm (weekdays only). Taidosaka, a moving tale of a blind musician and his devoted wife, ending with a beautiful dance. Ends Dec 18. (268 7411).

Noh. (Wed). A double-bill of the noh play, Kiso, and a kyogen comic interlude. Japan's most esthetic art form is not to everyone's taste, but should be experienced at least once by everyone who wants to discover why Japan will never become a "western" nation. (Most other Noh theatres are open at weekends only. Check local press for details.) National Noh Theatre (233 1331).

The Tempest. Directed by the prolific and ever-inventive Yutkin Ninagawa, with music by Utsuki Ryudo. This visually enthralling production was seen at this year's Edinburgh Festival and transposes the action to Sado, Japan's own island of exile and mystery. Stylistically it draws on elements from the Noh theatre. Imperial Theatre (201 7777).



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December 1988

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FINANCIAL TIMES
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1988

ARTS

Screen king's golden Rain

Nigel Andrews tips Dustin Hoffman for top acting honours in a round-up of the seasonal cinematic releases

Ladies and gentlemen, I am just opening the gold envelope. And the winner of the 1989 Academy Award for best actor is... Dustin Hoffman in *Rain Man*!

All right, so Oscar night is still three months off, and *Rain Man* has not even opened in America as you read this (it opens tonight). But I saw a preview on my recent visit to Los Angeles, and of all the Oscar-qualifying movies on show - these films pushed out into the world by the studios before the gong sounds at the year's end - this tale of an autistic savant seems designer-made for an acting prize.



Dustin Hoffman and Tom Cruise in *Rain Man*

What, I hear you cry, is an "autistic savant"? It is a mentally retarded person who has at least one area of striking high performance. Familiarly known as "idiot savants," they often cannot dress themselves, recognise relations or tell the time of day. But hurt a near-impossible mental mathematical challenge at them - say, 23 times 1,450 - and they will flash back the answer like a computer. (Many people believe that Hollywood studio chiefs are all autistic savants).

Directed by Barry Levinson, *Good Morning Vietnam*, *Rain Man* has Hoffman as a backward Einstein teamed up with a long-lost brother (Tom Cruise) who "kidnaps" him from a home. The movie lives dangerously, it flirts with sentimentality, skidmishes with hokey (the plot trigger is some creaky stunt about a will) and risks trivialising an obviously tragic (for some) condition.

But it works. And it works mainly through Hoffman. The physical detail of his performance is astounding. At once bunched-up and ill-coordinated - his head lolls to one side, his hands are clasped up by his collar-bone, his walk is a tripping lilt - he resembles some hybrid between a child and infant. He talks to himself, he snaps out ritual catch-lines on irrelevant occasions ("I'm an excellent driver"); he keeps a "serious injury book," making a note whenever his brother hits him or shouts; he insists on being driven half across America to buy underwear at a store he knows ("W-Mart, Cincinnati"); and he can compute the exact number of fallen toothpicks when a container is dropped on a restaurant floor.

Dustin Hoffman's characterisation is brilliantly inventive and credible. You know that it is Hoffman: but you also believe you are watching a true child of nature bounced unthinkingly into the real world.

The Yuletide movie marquee across America glitter with names scarcely less grand than Hoffman's. We have new films starring Meryl Streep and Gene Hackman: we have the latest agony-essay from Woody Allen (you remember, the Jewish chap who used to tell jokes); we have a red-hot drama of racism from Britain's Alan Parker; we have new children's blockbusters from Disney and Spielberg; and we have a record-breaking comedy from the team which brought you *Airplane!*.

This last is *The Naked Gun*, written by Jim Abraham and directed by the last-named. I saw it from the last available seat - far left in the front row of the stalls - in a packed cinema in Westwood Village. Despite the screen's resemblance to a deformed giant lounge, I laughed myself silly - no easy feat when suffering jet-lag - at a plot culled from

the team's *Police Squad* TV series and starring Leslie Nielsen, the best straight-funny man in Hollywood. I shall not spoil a single joke by relating it, at least until the film hits Britain. Enough to say that the comedy is so high-density that if you laugh at one gag you miss the next. The film is already drowning in box-office takings, having earned \$9m in its first weekend.

Woody Allen's *Another Woman* is different. It is about as funny as a day in bed with the complete works of Schopenhauer. Agonised by a lifetime of repression and self-deception, philosophy professor Gene Rowlands reviews her life with help from a stellar supporting cast. Mia Farrow, Gene Hackman, John Houseman, Sandy Dennis and others rally round, drenched in *weltschmerz*, to stoke Miss R's misery and self-awareness. The movie lasts 80 minutes and feels like 80 years. If you want a good time, go to an Ingmar Bergman film instead.

Thumbs down, I fear, for the latest Meryl Streep movie also. In *A Cry From The Dark*, Our Lady of the Accents dons an Australian lilt to play Lindy Chamberlain of the famous dingy-steals-baby case. But the movie, directed by Fred (Pleanty) Schepisi, turns a cause celebre into a cataleptic melodrama. Streep's curiously phlegmatic performance is the still centre of a movie that should, but does not, move around her.

Two other films plucked from real headlines are redder and more raw. *Mississippi Burning*, directed by Alan Parker, is based on the furor that followed the 1964 murder of three Civil Rights workers in the Deep South. Were they killed by the Ku Klux Klan? And did the local law connive? FBI men William Dafoe and Gene Hackman go south to sleuth, and soon it is explosion time for racial tensions as the good guys go vigilante and the bad guys go screamabout.

Though a step up from the Devil-made-me-do-it high jinks of *Angel Heart*, Parker's movie still shows a director more anxious to concuss us with hyperbole than to let truth do its unbarred work. But perhaps he had seen *A Cry From The Dark* and realised that the other extreme - pedestrian reticence - could be just as disarming. However, there is fine photography by Peter Biziou and a superb central performance from Hackman. *The Accused* is the best of these living-headline films.



Michael Jackson: pop artist turned demigod in the film *Moonwalker*

Gang-rap victim Jodie Foster is urged by lawyer Kelly McGillis to grit her traumatic feelings, suspend her scepticism about US law and go to trial. Will justice triumph? Directed by Jonathan Kaplan, the movie combines documentary grittiness with a fast, unfussy tension worthy of the best vintage B-movies.

Amid the remaining swirl of high-gloss December movies, the glossiest is Robert Towne's *Tequila Sunrise*. The one-time screenwriter (of *Chinatown*) has turned writer-director for a snazzy crime thriller starring Mel Gibson, Michelle Pfeiffer and Kurt Russell. The dialogue is smart, the acting peppy, the

plot confusing and the visuals a knockout. In short, it is *Moment Vix* for the big screen, with a modest shot of existentialism for those who fear that Towne might be selling out to rank commercialism.

Finally, Yuletide America's worst and best attempts to crowd-please. Worst: *The Land Before Time*, a Spielberg-produced animation feature about cute dinosaurs. This is so sweet that it rots the teeth and so boring (even at 60 minutes) that it rots the brain. Best: *Child's Play*, a witty and wonderful horror film about a doll which comes to life. Even five weeks into its run, this low-budget film is coralling large audiences and sending screams ricocheting around the auditorium. Expect it to reach Britain soon.

Britain should be so lucky as to have *Child's Play* - or almost any of the above movies - this Christmas. Instead our distributors, modelling their behaviour on E. Scrooge, have decided that it would be humbling to disseminate too much festive fare in the festive season.

So we have *La Bohème* (U, Barican and Chelsea Cinemas) and *Moonwalker* (U, Warner and Cannons West End). I was refreshed recently to read that Sylvester Stallone had considered playing Puccini in a biopic of the composer. ("Dahh, I'm walking on air posed Jose Carreras) exhibit all the passion of two young people who have missed the 9.50 train to Woking. The music sounded nice to my ears (conductor, James Conlon); but the acting is dire, the decor is pathetic and the director's tiny brain seems to be frozen.

Better - far better - Michael Jackson in *Moonwalker*. This is only a hi-tech, slambang assemblage of glorified pop promos, deploying every state-of-the-art movie process from Claymation to computer animation. But it goes at a fair lick: the music is good and Jackson - mascara, charred cowlick, nose-job and all - continues his impressive evolution from a human being into a designer demigod.

Setting store in a nautical design

Gillian Darley admires a new Sainsbury's building

A new flagship for Sainsbury's fleet of architecturally distinguished superstores has just been launched. Almost literally of nautical interest, it is painted battleship grey, anchored by hawsers to the ground and, at one extremity at least, meets water in the shape of the Grand Union Canal in Camden, north London.

Designed by Nicholas Grimshaw, also responsible for the Financial Times's new printworks, it is, in theory, simplicity itself. From the first design discussions onwards it was determined, by architect and client together, that the new store would be a great, column-free space in fact a market hall. Apart from the special qualities, visually and practically generous, it adds to the flexibility of the building, should its function change at some future date.

The shallow arc of the hall breaks over the Camden Street elevation, and less obviously, at the meeting with the canal, the canopy forecourt. As the Sainsbury design manual dictates there can be no natural top lighting, which gives that customary feel of supermarket claustrophobia. The Camden Road side is glazed at street level, behind the 30 check-out points, which helps to bring the shopper back into contact with the outside world, but does not solve the need for some natural lighting.

To keep the almost 40 metre span of the roof clear, it is supported by cantilevers, themselves stabilised by a series of clustered tie rods, a kind of refined columnar rhythm echoing the wit of the bays of the domestic terracing opposite. St Michael's Church alongside is a reminder, with its Gothic Revival flying buttresses, of other ways of achieving a similar end result.

As I walked around the exterior of the store, I had a vision of another store (different chain) - in Welshpool as it happens - where the flank wall of crude "domestic" brick is punched by a "single Georgian" door case and a couple of blank "sash windows." Everybody can, I suspect, nominate their own example within this genre. The triumph of the Camden store is that it is an unremittingly sophisticated structure, (for which the structural engineers, Kennington Little & Partners, share the honours) but that it accompanies the terraces of London stock brick that surround it with good grace. The cornice heights match, and the bay widths correspond, and there the matter ends.

It hits this corner of Camden Town, a neighbourhood as every journey up the high street reminds the passerby, with an explosion of confidence. Bouquets go to Camden

planners for their immediate acceptance of the scheme, with no compromise or trim to its eventual form, and to Sainsbury's for pressing on, through the forest of clocktowers, fake city walls, turrets and the rest, with something which proposes that a superstore can be a building type in its own right - or be it not too different from a car mart and perfectly adaptable to a library or sports hall, should that be the wish of another generation.

I cannot help but cavil, though, at the dire effects of the Sainsbury design manual.

"The triumph of the Camden store is that it is an unremittingly sophisticated structure"

a multi-volumed affair thrust into the architect's hand as the outset which tells them exactly how far their responsibilities go. As far as the graphics are concerned, the old sans serif, often in orange, is curiously at variance with Grimshaw's building, especially when seen through the glass street front. Nicholas Grimshaw does not bite the hand that provided such first class patronage, is non-committal about the burden of the 20-year old corporate imagery that he, together with all architects that work for Sainsbury, has been handed. Anyway, his daughter tells him orange and yellow are as the way back - but he sounds as if he is not convinced. It certainly must have

required a hefty measure of architectural stoicism to incorporate the mustard-coloured plastic shalving, rimmed in knicker pink when toiletries are on display, within a building of this clarity of structure. With Sainsbury's exemplary commitment to architectural standards, it is surely time that they hoist themselves into the present in their graphics and display, keeping to the classic, not the modish, it goes without saying.

Perhaps the easy ride that Grimshaw's architecture got from the Camden planners was assisted by Sainsbury's emphasis upon aspects of urban regeneration near to the heart of all inner city boroughs. Planning permission for the old Aerated Bread Company site was granted in late 1985 and the development, taking up almost an entire block, includes a sizeable number of workshop units, a creche, an as yet unbuilt housing association development on land on the opposite bank of the canal, and a terrace of 11 houses for sale. These are not yet complete, but their aluminium carapaces are in situ, broken by a ground to roof height glass wall.

The private market has certainly come a long way when houses as innovative as these are judged saleable. Whether or not the houses are in whom they are presumably aimed will have the courage to live on a supermarket island, even a very elegant one, remains to be seen.

Peter Pan, The Musical

WIMBLEDON THEATRE

About this time of the year we realise that the British really are different. How else could we sit, stall by stall in a traditional theatre, clapping our hands to vow that we believe in fairies, at the behest of a 40-year-old grown-up Glaswegian female former pop singer dressed as a small boy whose mission in life was never to grow up?

But Wimbledon's *Peter Pan* isn't exactly traditional. Based on a Jerome Robbins American production, it brings Broadway in fairness, at the behest of a mother-fixated masterpiece without losing any of the good lines and bringing in about 19 impressive musical numbers, with which Lulu and the cast deal with manfully, or boyfully if you like.

Aladdin

EVERYMAN, CHELTENHAM

Though the Everyman, Cheltenham pantomime-goers shrut as loud as the Sheffield bunc, I heard last week, and saw the same instinctive reactions to time-honoured situations that may be new to some of them, they don't have things quite so much their own way as the Northerners.

They have a more complex story to follow, to begin with, a new version of the Aladdin script written by John Doyle with some reliance on television, to which every reference is seen at once (though not always by me). When the evil Annabizarré (as she is called here) cicks Aladdin from her life, where should he go to but a desert island, with a cargo of discs?

But is it really a children's show? Well the kids loved it, but it is obviously a show for all ages, as I realised when I saw a battalion of female pantomime who seemed old enough to have seen Gladys Cooper's Peter in 1923.

Lulu's Peter - her second go at the role - is a long way from Gladys Cooper, about as far as Sauchiehall Street is from Kensington. This is a classless Peter - the immortal James Hook of Eton and Balliol emerges splendidly and his "Floreat Etona" as he plunges to his death by crocodile makes young eyes wet with boozing.

Michelle Thornewyck's Wendy is nicely in tradition, the animals, crocodile, kangaroo Nana, Wendy's mum's dog

in the grand tradition, doubles up as Wendy's dad. Anybody playing Hook has a tough tradition to live up to - how can you follow Charles Laughton, Ralph Richardson, Alastair Sim, Donald Wolfit or even Ron Moody? Timothy does well and if sometimes in his pirate gear he reminds you of a Yorkshire shire vet dressed up for a fancy dress ball then that is the fault of over-exposure and nothing to do with the actor's skills.

James Hook of Eton and Balliol emerges splendidly and his "Floreat Etona" as he plunges to his death by crocodile makes young eyes wet with boozing. Michelle Thornewyck's Wendy is nicely in tradition, the animals, crocodile, kangaroo Nana, Wendy's mum's dog

Alan Forrest

nannie, perform well and unobtrusively. The pirates, redskins and the lost boys are impressive - a special mention for Patrick Jameson's oily Starkey - and the flying scenes are perfectly handled.

I was glad that the Wimbledon production kept in the lines that reveal Barrie as a closet feminist. Who, asks Wendy, are the lost boys? Peter explains they were babies who fell out of their prams and were transported to the Neverland. "What, no girls?" says Wendy. "Oh, no girls are much too clever to fall out of their prams." For boys, girls and anyone else who doesn't want to grow up, I can recommend Wimbledon's *Peter Pan*.

Alan Forrest

B.A. Young

in the two girls Kagnee and Raycee, who make their first entry on magic but do not, in much the rest of the troupe. They are most televisive bylines. Bad fairy Annabizarré is played by Hilary Cromie with demonic expertise, her son Flung Dumb by Robert Woolley. So here is all the usual pantomime business and a spice of contemporary novelty. It is directed with verve by John Durbin, has a wealth of good sets by Chris Crosswell and some ingenious lighting by Mike Gemson. There is original music by Catherine Jayes. One of the little girls sitting behind me announced "I'm coming again next week," as soon as the curtain fell.

B.A. Young

What put the Sir in Sir Walter Scott?

It has been commonly assumed that Sir Walter Scott was given his knighthood for services to literature.

However, there is a school of thought which is puzzled by his constant publicising and praising of The Glenlivet single malt whisky. It is mentioned frequently in his writings.

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Is there a connection between these two facts and his knighthood? I believe we should be told.

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FINANCIAL TIMES
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Cinderella

THEATRE ROYAL, BRIGHTON

The pantomime season, like the rest of Christmas, can be the best of times or the worst of times. Embellished by exposure to Hackney Empire, *Aladdin* I ventured down to Brighton with a spring in my step, ignoring the stirring of last year's memories. As any seasoned panto-goer would immediately have pointed out, it always pays to look behind you.

With this year's *Cinderella*, Paul Elliott's E&B Productions have served up a show with all the freshness and appeal of last year's turkey - which it probably is, since there was at least one tall-tale pre-selection joke, and the obsession with Arthur Scargill's pits is positively ante-deluvian. From Ted Rogers' first entry as Buttons, exhorting a household of fidgety children to shrill, "You're number one on 3-2-1," try their best, but barring the top of those nights. But then what more could one reasonably expect from a bill topped by three troupers with a combined age approaching 200, and a dunstun?

However slyly Rogers dis-

penses the selection packs from his co-star Dusty Bin, he is more Sugar Daddy than Buttons to Amanda Blair's ingenious Cinderella. He should, of course, have been Baron Hardup, but Bill Owen got there first, complete with wellington boots and *Last of the Summer Wine* signature tux, spouting northern quips about posh Brighton and 'pub next door - in contrast to Anna Wing's fairy godmother, who is more Queen Victoria than Albert Square.

Paul Toothill and Brian Godfrey make a professional enough job of the ugly sisters, while Caroline Dennis and Sally Taylor are leggyly indistinguishable as the prince and Dandini, costumed - as is the rest of the show - in a pizzazz lacking in just about everything else. The performers do, in fact, try their best, but barring the top of those nights. But then what more could one reasonably expect from a bill topped by three troupers with a combined age approaching 200, and a dunstun?

However slyly Rogers dis-

Claire Armitstead

Hogarth pictures for Cardiff

Two pictures by Hogarth have been allocated to the National Museum of Wales in Cardiff. They were accepted in lieu of tax, to the value of £1.3m, just before they were to be sold at the Hesketh family at Christie's. They were valued at around £2m.

Hormones in a teacup

THE LONG simmering trade dispute between the US and the European Community over the use of growth hormones in meat looks set shortly to escalate into serious war over a trivial issue at a silly time.

Talks both in Brussels and at the General Agreement on Tariffs and Trade in Geneva this week have failed to produce a change of heart, either on the part of the EC, which is determined to enforce its ban on imports of meat containing hormones from January 1, or on the part of the US which is determined to retaliate.

Trade barrier The US claims that the EC ban on hormone-injected meat constitutes a trade barrier. Because most of its farmers use hormones, its sales to the EC will be affected.

Israel's renewed coalition

THE NEW Israeli Government that was formed yesterday is a defensive arrangement in which the country's two main parties have temporarily buried their differences in order to withstand the current tide of international pressure for talks with the Palestine Liberation Organisation.

Under pressure What is more, the formation of the new Government in itself illustrates what foreign pressure on Israel can achieve. Mr Shamir's initial inclination after the election was to try to form a narrow coalition with ultra-nationalist and Orthodox parties by promising to change Israel's religious laws.

Response to US He was referring to America's unexpected decision last week to launch a direct dialogue with the PLO. Yesterday's coalition agreement was the Israeli response. It ruled out talks with what almost all Israeli leaders still brand a terrorist organisation.

On the face of it, this is scarcely encouraging for the incoming Bush administration as it considers the prospects for mounting a new peace initiative in the Middle East.

When it comes to earning money on Wall Street no banker can outdo Mr Randolph Giuliani, the US federal attorney in Manhattan. The investment house of Drexel Burnham Lambert is due to pocket \$227m (£126.5m) for its work in financing the takeover of RJR Nabisco.

The \$650m penalty divides into a \$300m fine and \$350m deposit to make good investors in companies who may have been damaged by Drexel Burnham's junk bond takeover.

Established rules The US determination to impose sanctions thus flies in the face of established international law which led to the EC hormone ban. It is both curious that it should choose to impose such sanctions when it professes to be an ardent supporter of the Gatt system, and deeply worrying that the US should be prepared to use its recently strengthened unfair trade laws in this way.

Washington has tried to persuade the EC to leave the matter examined in Geneva under the Gatt standards code, which aims to ensure that regulations on health and safety do not constitute unnecessary obstacles to trade.

When they imposed the US sanctions should be roundly condemned as a flagrant breach of correct international behaviour. The EC, however, should resist the temptation to raise the stakes by counter-retaliation.

But it works. In August, Mr Giuliani indicted five partners of a small securities firm, Princeton/Newport Partners, alleging they had taken part in a racketeering scheme with a Drexel Burnham trader to create false tax losses.

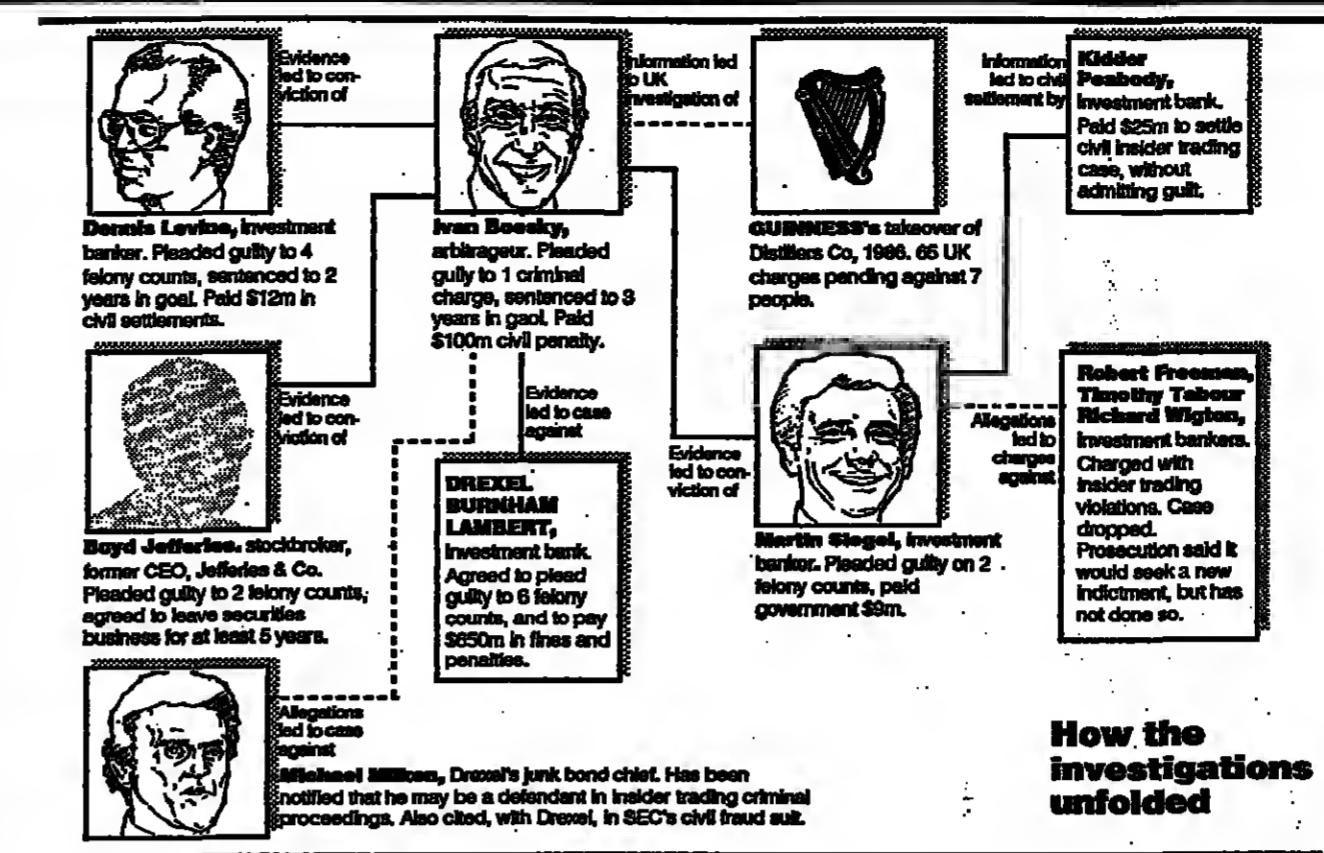
Tales of the Treasury

Anyone looking for a little diverting holiday reading could do worse than try this week's First Report of the Treasury and Civil Service Committee on Chancellor Lawson's Autumn Statement 1988.

Not so much for the policy analysis and recommendations, though even they are quite sharp. The Committee, for example, has gone over to calling for the greater use of economic models for forecasting in a way that would have delighted a former member of the Committee, Jeremy Bray.

The real pleasure, however, is in the dialogue and especially the exchanges with the Chancellor that took place on November 30. For instance, Anthony Beaumont-Dark: "We are not an island." Lawson: "We are not an island."

Here is the Chancellor talking about himself: "To the comments about whether I am brilliant, or lousy, or whatever - these are matters of complete indifference to me." Enter David Winnick. Labour MP for Walsall North: "Your days seem to be rather numbered?" Lawson: "What? Winnick: "Your days seem to be numbered as Chancellor, do they not?" Lawson: "I think all our days are numbered."



Not too complex for investigation

James Buchan looks at the predicament of Drexel Burnham Lambert, the US investment house and junk bond specialist

Lambert, the firm's 25 per cent shareholder. Already, according to Mr Joseph, Drexel Burnham has spent over \$175m in lawyers' fees on producing photographs to feed the US Attorney's office's insatiable demand for Drexel Burnham records.

Loyalty to an institution or a person is at a discount on Wall Street. But from his office in Beverly Hills, far from the firm's Manhattan headquarters, Mr Milken has won loyalty. He has tied in many Drexel Burnham executives by giving them lucrative shares in partnerships that invest in his deals.

But he works. In August, Mr Giuliani indicted five partners of a small securities firm, Princeton/Newport Partners, alleging they had taken part in a racketeering scheme with a Drexel Burnham trader to create false tax losses.

est rates than the bonds of large, blue chip companies and thus offer an attractive return. In the past five years there has been an explosion of demand for these bonds, with Mr Milken's team at Drexel Burnham by far the largest underwriter. For a while, Mike Milken was Drexel Burnham.

The tremendous conflict is best seen in Mr Joseph himself. Though he is just 51, trim and fit, and rakishly charming as ever, he has looked ever more haggard. A report in the 'New York Times' said that at the Drexel Burnham board meeting, which approved the deal with Mr Giuliani 16 to 6, Mr Joseph was among the six to vote to stay and fight with Mr Milken. Mr Joseph could not be reached yesterday and nobody at the firm could confirm or deny this extraordinary report.

But has Drexel Burnham survived? The first point is that Drexel Burnham can easily afford Mr Giuliani's exaction, though it is the largest ever levied on the securities industry.

capable of handsome profits. In the six months to June this year the firm made \$11m. The decision by Kohlberg Kravis Roberts, the new owners of RJR Nabisco, to award the biggest chunk of subordinated financing for the takeover to Drexel Burnham has been a great boost to morale at the firm and promises good money for next year.

Drexel Burnham's deal with Mr Giuliani will go into effect only if the Securities and Exchange Commission agrees that it should also cover its own 184-page civil case against Drexel Burnham and Mr Milken, filed in September, which alleges fraud in no fewer than 20 takeovers.

Shareholders with a grievance should also find it easier to extract settlements. Mr David Berger, a Philadelphia lawyer who is bringing a group of shareholder suits involving 18 takeovers before the judge in the SEC case, says: "It just does not make any sense to plead guilty and pay up \$50m without working out a resolution with the SEC and the civil suits."

the form of a \$350m pot they will share with their clients. Wednesday's deal with Mr Giuliani gives Drexel Burnham nationwide immunity from federal prosecution, but the states could have a field day. The federal felony charges to which Drexel has agreed to plead guilty "could be the basis for action by state regulators to suspend or revoke its (state) licences," says Mr Lee Polson, general counsel of the North American Securities Administrators Association, which represents state regulatory agencies.

Drexel Burnham's lawyers must be poring already over the precedent set three years ago by E.F. Hutton, a Wall Street firm brought to its knees when it was caught out in a large-scale abuse of bank overdrafts and eventually so demoralised that it was absorbed almost without trace by Shearson Lehman Hutton.

State securities commissioners formed a task force to investigate the firm's wrongdoings and the federal sanctions. Some states levied additional fines totalling about \$1m but none revoked Hutton's state licence. "It would have been kind of like piling on" to

a luckless player after the whistle has blown in a football game, says Mr Richard Latham, the Texas commissioner. Still, he expects to review the Drexel Burnham settlement to see if the firm's state licence should be revoked.

Yet even if Drexel survives the legal challenges, will it still have a business? In the second half of this year, Drexel Burnham was still underwriting 38 per cent of all new junk bond issues. Mr Milken enriched scores of junk bond investors, from mutual funds to thrift institutions. He helped, take over and buy-out specialists such as T. Boone Pickens, Carl Icahn, Nelson Peltz and Peter Harg and Henry Kravis and George Roberts ascend peaks of wealth.

In coming months, there could be mass defections of key staff from Beverly Hills and a drifting away of junk bond investors and issuers. But Mr George Roberts, the new owner of RJR along with Mr Kravis and other investors, said firmly in an interview last week: "You guys think of Mike Milken as a sort of Wizard of Oz, controlling everything and everybody. But there are 70 other people working with high yield (junk bonds) here. And we're talking about a \$170b market. It discounted Mike Milken's departure two years ago." Even if Drexel Burnham hangs on to much of its junk bond business, it will not be the place of the Milken-Joseph era. The SEC will see to that.

For Mr Giuliani, Wednesday's settlement is a triumph. It is three years since an anonymous, badly written letter from Michael Milken, who denounced Mr Milken and informed on Martin Siegel and Boyd Jefferies. Mr Siegel denounced three other arbitrageurs, against whom charges were first brought, then dropped, with the threat of renewed prosecution. Mr Jefferies provided allegations against Paul Bilzarian, who was indicted on Tuesday. Sunday other minor figures have paraded through the courts.

The informers in this group are a prosecutor's nightmare. No US Attorney would welcome putting such self-serving witnesses before a jury. Mr Milken, Mr Bilzarian and the three arbitrageurs furiously claim they are innocent. They complain that they have been tried and found guilty in the press before getting anywhere near a courtroom.

In the course of the investigation, the prosecution has cut short every corner possible. But in unravelling this extended network, Mr Giuliani and Mr Lynch have done two important things. They have disproved Wall Street's comfortable belief that the securities industry is too complex for police work. And they have provided the country with a necessary counterpoint to five years of deafening speculative clamour on Wall Street.

Additional reporting by Roderick Orum.

OBSERVER

Bond's Irises

The mystery buyer of Van Gogh's Irises for \$49m at Sotheby's, New York has turned out to be Alan Bond, the Australian financier and a man who started as a sign-painter. It now hangs in his newly completed penthouse office in Perth.

According to Reuters, Bond told reporters: "It's not just a painting. It's the most important painting in the world. It was bought by his family company, Ballbold Investments Ltd."

This England

This week's New Statesman - or New Statesman and Society as it now is - includes a booklet of the best of This England items 1979-88 and is worth buying for that alone. Here is one from Hansard: "Much fear has been put into old age pensioners about the prospects for their bus passes. There have been slogans on all our buses. We even had the Prime Minister carried in a trolley on a lorry. That mistimed in Solihull High Street because people raised their hats as it went by."

There is also the tale of Netherton United, an impoverished football club in Nottinghamshire which applied to the International Monetary Fund for money. The IMF responded that it could not assist private institutions, but had a private proud among officials and sent a cheque for £25. It paid for a new ball.

Missed scoops

Observer's biggest miss this



"Between you and me, I'm thinking of making a hostile bid for Easter."

year took place in May. We were at a conference in Racine, Wisconsin and a man called Quayle came to join us from the neighbouring state of Indiana. A small group was having drinks after dinner when one of George Bush's top advisers said very quietly: "How would you feel about being the running mate, Dan?" At first nobody heard, including Quayle. The question was repeated. Quayle laughed and seemed embarrassed. Most of us forgot about the incident. A few weeks later we realised that we had watched a little bit of history.

A similar lacuna occurred in 1988. Someone came to see me to explain in great detail that a scandal was about to break affecting Cecil Parkinson, then chairman of the Conservative Party. It seemed of no great interest to the Finan-

Panto time

The British panto lives - especially outside London. Norman Wisdom is packing them in to the Orchard Theatre in Dartford, Kent, as Buntions in the Capital. His only serious rival attraction in the capital will be Jim Davidson in the same role at the Dominion in the Tottenham Court Road.

Wisdom appeals to the basic and naive in the collective audience psyche. He and his co-star, the former Page Three model, Linda Loward, have already taken over £200,000 for the Orchard Box Office.

Davidson, a seasoned club performer, goes straight for the jugular and the lowest common denominator. Yet he brings out the subtle distinctions between coarseness and crudity, apes comedy and streetwise slickness. Striking northwards, there are such splendid trouperes as Dora Bryan in Hello, Dolly in Manchester, and Christopher Biggins in Dick Whittington at the Bradford Alhambra. The money-making show goes on, and our drama critic makes absolutely no bones about his intention of spending Christmas Eve in the company of the master of them all, Ken Dodd, in Puss in Boots at the Civic Theatre, Halifax. It is all part of a peculiarly British art.

Educayshun

Ad in the Edgeware & Mill Hill Times: "9 Times Table in 5 minutes. Tutor - Who's Who in Education, appeared on TV, published 13 articles. Has limited vacancies. £25 per hour. Teaches Reading, Spelling, Arithmetic etc. Amazing modern techniques. Happy Christmas"

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POLITICS TODAY

Thatcherism until the end of time

By Joe Rogaly



The most significant and... the growing acceptance of the proposition that Mrs Margaret Thatcher really will go "on and on and on" as Prime Minister.

It could be that all of this Conservative self-assuredness is falsely based. Some unforeseeable event, or series of events, could curtail Mrs Thatcher's occupancy of No 10 Downing Street or even result in the return of a Labour or coalition government.

Everything is affected by this. The continued demoralisation of the opposition parties is now taken for granted. The Labour Party itself started the rot by behaving in such a way in the 1970s that the schism of the 1980s could not be avoided, but its position has become much worse this year.

Two obvious conclusions seem to have been drawn by most people. The first is that the Labour Party is by its very nature incapable of making the changes to its own mechanisms and policies that are necessary if it is to win votes in the south of England.

There is, however, a third, less obvious, conclusion to be drawn: the Thatcherites will become more ideologically driven. They will not sink back and proclaim that having fulfilled their historic task of vanquishing socialism they see little left for them to do.

vative MPs or party workers wanted it to and insisted on it, but the days when such a party revolt was on the cards are long since gone.

The result is that the only brake on the Prime Minister's revolutionary fervour is her own inbuilt sense of what her party will stand - and what it will stand becomes more Thatcherite every day.

There will be further opposition on the Tory benches to the privatisation of the water industry, but the Government believes that most of it is likely to come from the "local government brigade" - those old-style Tories who opposed the regressive aspect of the poll tax.

Most ministers are still faintly amazed at how much the Government got through parliament with so little

real trouble this year. Bill after bill was seen by its critics as likely to be defeated in a late-night Commons revolt or a House of Lords rebellion.

But in the end, with only the faintest scratches on one or two of them, they all passed, heavily amended and lightly read. The big pieces of legislation have all been designed in ministerial committees, many of them ad hoc, chaired by the Prime Minister herself.

Thus it is she who ensured that Mr Kenneth Baker's "Great Education Reform" Act contained within it sufficient powers for the minister to override the naturally non-Thatcherite tendencies of the Department of Education and the teaching profession.

It is the Prime Minister who has made certain that Mr Douglas Hurd's proposals for broadcasting are sufficiently Thatcherite for her taste. It is she who has drawn the line between liberal, in the 19th century economic sense, and libertarian, which is the pejorative in-word for those who oppose censorship on grounds of "taste" and "decency".

electricity industry be committed to the maintenance of a nuclear-generation capability, just in case the National Union of Mineworkers has to be defeated all over again.

Local Government is a similar story. One by one its powers - the monopoly control of education, say, or the administration of social services - have been curtailed, either directly or through budgetary control.

With three quarters of their revenue now under the control of Mr Ridley's department (and the Treasury), local councils have been as bumbled in their way as the trade unions were in theirs.

LOMBARD

Other-worldly regulators

By Barry Riley

In freak circumstances, software engineers working on the FT's editorial production system, Edwin, picked up strange signals last weekend. They managed to capture what appears to be an FT editorial comment from a parallel universe.

IN SPITE of many appeals to reason, the Supervisor of Information Board (SIB) has decided to implement its proposals to force the Financial Times to disclose its price on its front cover. We understand that it has been under pressure to accept narrow arguments based upon the centuries-old law of newsworthy.

We may be accused of pleading a special case, given that other forms of newspaper are already required to make such disclosures. But the present distribution system - whereby the cost of the FT is automatically deducted from pay, and is only quantified on specific request using Form 77P(2) - has proved highly satisfactory in encouraging the widespread readership of the newspaper.

The threat to our present circulation of some 7.5m copies is considerable. It would not have been so severe had the authorities accepted our alternative recommendation that disclosure should be in the form of a percentage of average earnings. However, for its own reasons the SIB has insisted upon the indication of a cash sum.

We are aware that the SIB has made its decision under pressure from the Government. The official devotion to the concepts of free markets and competition is well-known. But it is a great pity that this extra burden has been placed upon us at this particular time. The Government should be strengthening us for the European challenge which lies ahead in 1992, not imposing an entirely unnecessary domestic upheaval upon us.

LETTERS

Dumping dilemma

From Mr Christopher Norall

Sir, Mr Messerlin (Letters, December 15), leaves the issue of fairness in European Community anti-dumping rules to the lawyers who would offer some lawyerly thoughts on the matter.

In one sense, EC anti-dumping procedure is as about as fair as it is humanly possible. A dedicated group of officials perform Stakhanovite labours all over the world, under great pressure, frequently in circumstances which must be very disagreeable. They wrestle meticulously and scrupulously with baffling problems and mountains of data.

They are assailed by a cacophony of conflicting claims and assertions. They do not receive many bouquets of flowers, as often as not, when the Commission's work on a case is done, all parties on all sides of the matter leave the field muttering darkly of their discontent. One must suppose that the Commission's task is not a happy one. I doubt whether it would be possible to do it much better or much more even-handedly.

But there is another sense where one can call in question the fairness of the EC's anti-dumping procedures. Dumping is an economic notion. At the risk of oversimplifying, it means either using high prices and profits in a domestic market (by implication, a closed domestic market) to subsidise sales made in an export market with low prices and profits; or selling in an export market at a loss in both cases causing injury to an industry in the market to which the exports are made.

For better or worse, the General Agreement on Tariffs and Trade (GATT) condemns such practices, and allows member countries to defend themselves with supplementary duties when they find that they are the victims of dumping.

Imposing such duties requires legal procedures and legal definitions. The criteria which can be made of the EC's procedures are thus:

In some circumstances - notably when dealing with products which have high distribution costs - such as the consumer electronics or recent products involved in recent cases against Japan and other Asian countries - the EC's

rules contain a structural bias toward finding dumping. Where - from an economic or business point of view - there is no dumping, application of these rules will find significant dumping; where there is some dumping, the rules will find more.

For example, for a product having high distribution costs, it is quite possible to find a significant margin of dumping even when the prices, costs and profits of sales made in the export market are almost identical to the prices, costs and profits of sales made in the domestic market. (The complicated reasons for this bizarre phenomenon have been described in the technical literature by a number of writers, including myself.)

It is perfectly true that these rules have been emphatically endorsed as a correct interpretation of Community law by the European Court of Justice. They have also been clarified and rendered more explicit by recent changes in the relevant EC legislation. So the law is clear enough, and officials can hardly be criticised for following it.

What can be criticised is the law itself - in particular the structural bias towards finding dumping. Of course it can be - and is - defended by those in the Commission responsible for implementing it. Their defence is generally couched in terms of technical conformity with the GATT anti-dumping code, and the technical needs of effective anti-dumping enforcement, as well as the more general points listed in Commissioner de Clercq's article of November 21.

As far as conformity with the GATT anti-dumping code is concerned, the least that can be said is that either the EC rules are not consistent with the code, or if they are, there is an important loophole in the code: it permits countries to impose duties in the name of the GATT's condemnation of dumping in a number of situations when, from an economic point of view, dumping is not occurring - or is occurring to a much lesser extent than that found by the investigating authorities.

Christopher Norall, Forrester & Norall, 36 rue Joseph II, 1040 Brussels, Belgium

Plessey's action

From The Hon Lord Dervaud

Sir, Please permit me to protest at the suggestion (Jes, December 21) that resort to the national court was "pioneering" by reason of the invocation of EEC competition law, whatever marks it may deserve for ingenuity.

From that part of the UK from which I write, the appropriate word is "plagiaristic". In April 1986, during the course of the Argyl-Guinness battle for control of Distillers, Argyl sought in the Court of Sessions, Scotland, interim interdict against Guinness proceeding with its bid precisely on the ground that merger between Guinness and Distillers would contravene Article

'Moratoria cause more problems than they solve'

From Mr Ian Shepherdson

Sir, A fundamental distinction must be made between unilateral suspension of debt service payments and negotiated reduction of payments ("The lessons from Chile and Peru," November 30). The effects of the eight-month Brazilian moratorium on principal and interest payments in 1987 clearly demonstrate that it is wrong to conclude that countries may gain from unilateral action.

After Brazil returned to negotiations with its commercial bank creditors, President Sarney stated that the moratorium was "the worst error we have yet committed", causing or exacerbating several problems:

- Capital flight increased and inward investment fell as the economic outlook worsened;
The refusal of some foreign governments to continue

Rain forests in danger

From Mr Dennis Fontannaz

Sir, Your article on regenerating Indonesia's rain forests was interesting (December 14). Peculiar to the area is a species called Shorea. The fat from this tree is exported all over the world, including Europe. Europeans talk a great deal about the rain forests, and the effects of cutting them down upon (among others) the European population. Why is it

86 of the Treaty of Rome (abuse of a dominant position).

On grounds largely of balance of convenience, Lord Jauncey (now Lord Jauncey of Tullichettle) refused to grant the order, and the bid proceeded, with results we all know. (The case is reported as Argyl Group plc v The Distillers Company plc 1987, Scots Law Times, 514.)

The action of Plessey in asking the UK court to apply European law on takeovers (FT, December 21, page one) did not break new ground: it merely followed a trail blazed here over two years ago.

John Murray, 4 Moray Place, Edinburgh, Scotland

export credit lines damaged trade;

- The deterioration of the economy meant that Brazil added only about \$500m to its reserves - far less than was anticipated;
During the period of the moratorium Brazil missed the opportunity to secure lower margins on its debt.

The recently completed financing package shows, however, that in the absence of the political will to implement a comprehensive solution to the crisis, the established orthodoxy of direct debtor-creditor negotiations to reduce the interest burden and extend maturities remains the most realistic option. Moratoria cause more problems than they solve.

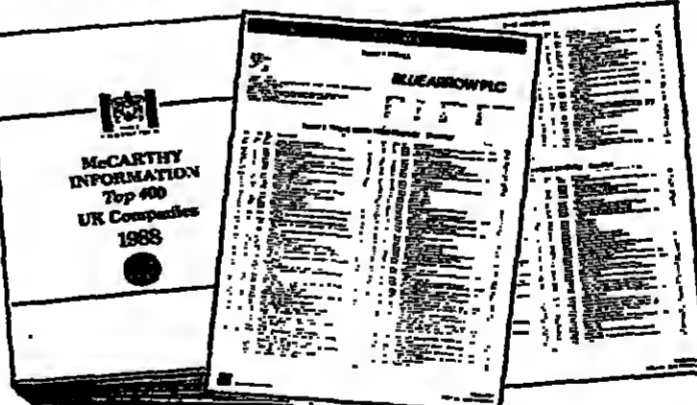
Ian Shepherdson, Loughborough University, Leicestershire.

then that Europeans impose penal duties - between 15 per cent and 17 per cent - on the importation of this fat? Surely this is a contradiction: a double standard which characterises the role of the developed countries towards the developing countries. Dennis C. Fontannaz, Fontannaz Partners, Gray's Place, Slough, Berkshire.

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Japanese enlist flower power in toy market

By David Churchill in London, Louise Kehoe in San Francisco and Stefan Wagstyl in Tokyo

THE JAPANESE have emerged as the major creative force in the toy market this Christmas - although you might not guess that from this year's big hit in Tokyo's toy shops.

Their customers have been taken by storm by a plastic plant standing in a flowerpot, wearing sunglasses and playing a guitar. Flower Rock comes complete with a sound sensitive device which makes it rock to pop music or wiggles when spoken to.

It could be yours for a mere ¥3,800 (\$31) and has proved so beguiling that more than 100,000 have been sold, despite a lack of heavy promotion out of deference to Emperor Hirohito's illness.

In the US, the Japanese company Nintendo has swept the board with its Nintendo Entertainment System, a \$100-plus home video game, which has revived interest in the video games market after several years in the doldrums.

And, looking ahead already to next Christmas, Tomy, also from Japan, has made a big impression on the UK toy trade

in advance of next month's major toy fair at London's Earls Court.

"Tomy has come up with some 84 new items for next Christmas, far more than any of the other major toy companies," says Mr Ken Lewis, director in charge of toys at Woolworth, the largest toy retailer in the UK.

For the second year running the markets in both the US and Europe are largely concentrating on traditional toys such as dolls, teddy bears and train sets.

"The industry has failed to come up with any new fashion toys and games such as the Cabbage Patch Dolls or Trivial Pursuit of the early to mid-1980s," says Mr Peter Eio, managing director of Lego toys in the UK.

In the US, few other electronic toys are achieving the interest in popularity to Nintendo's Barbie doll which this year celebrates her 30th birthday. Barbie's creator, Mattel, attributes her continuing success to her ability to change with the times.

The company believes she can act as a role model for young women in the 21st century.

Barbie, therefore, is now telling young girls that they too can aspire to professions such as medicine. Lest they become too serious, however, the new Doctor Barbie outfit comes complete with a few lacy flourishes that transforms her hospital attire into an elegant evening gown.

In the UK, Nintendo has failed to make an impact. Woolworth stocked the Entertainment System last Christmas but sales were so disappointing it has not placed repeat orders this year. Toy traders believe its failure in the UK is because most British children who want to play computer games would rather use their existing home computers.

The best-selling toy in both Woolworth and Argos stores - the two top toy retailers in Britain - are a range of plastic character toys and accessories modelled after the popular Ghostbuster film and cartoon series.

Their surprise success comes as demand for other 'character' toys has fallen away this Christmas; children apparently have grown tired of role-playing with action heroes.

"We don't know why the Ghostbuster characters should have proven so popular, but we could have sold three times as many this Christmas if we'd had the stocks," says Mr Lewis.

Apart from Ghostbusters, the most popular toys and games in Woolworth have all been traditional ones. A junior carpentry set at £9.99 has also sold out and selling well are items such as toy pushchairs and prams for dolls.

Argos says that trains and car-racing sets are among its most popular items, along with pre-school toys.

Selfridge, the London department store, reports that its top-selling toy or game is a board game based on the Neighbours television series.

Other popular toys this Christmas, according to the National Association of Toy

Retailers, include Scalextric car racing sets, Lego equipment, and radio-controlled cars.

Skateboards, which first came to prominence a decade ago, are also back in favour with a new generation of children this Christmas.

Back in Tokyo, also strongly in demand is a toy duck with a voice changer which quacks back when you talk to it.

Some 80,000 have been sold at ¥3,800 each.

For the less extravagant, Y600 buys the same effect with a balloon filled with helium. Breathe in the gas, and you then talk like a duck for 10 seconds. Already some 2m have been sold in Japan.

Computer games are selling well, especially a car racing game, Megadrive, which comes complete with steering wheel.

For adults this Christmas, popular items include a lace handkerchief at ¥50,000 or vicuna wool men's underpants at ¥100,000.

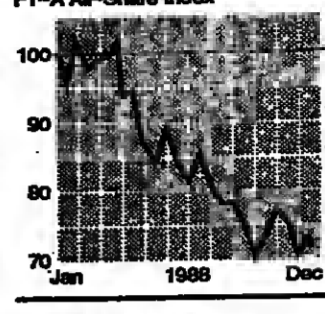
GEC weaves its European web

GEC's startling proposal to put a quarter of itself together with Alstom of France seems further illustration of two major recent developments: the scramble for position in the European electrical and electronics industry, and Lord Weinstock's blinding conversion to the principle of the joint venture. In power generation itself, the new company seems clearly intended as a response to the Asea/Brown Boveri link-up - smaller than it in world sales, though larger in the EC. And it is presumably the EC market which matters at present, if it is to become a genuine free-for-all, indeed, if the UK market loosens up with the privatisation of electricity, GEC might profit from having a wider range of equipment to supply to it.

It could be asked whether Lord Weinstock's previous doubts about joint ventures might not apply in this case, particularly since economies of scale are not immediately obvious. But there is a complex game afoot here. Should the Plessey bid succeed, GEC will be committed to a partnership with Siemens which covers most of the rest of its major business areas - telecoms, defence and components, with medical electronics a possible further step. Siemens is also a major force in power generation, but GEC is seeking alliance elsewhere. The web of relationships which Lord Weinstock is constructing makes GEC safer from predators, Siemens included.

The proposal also shows GEC once more doggedly taking on the competition authorities. Since neither company is strong in the other's home market at present, there would be no scope for objection in terms of old-style merger policy. But with agreement on EC policy expected daily from Brussels, this is a bold move to be addressing the market of 1992. But the project is none the worse for that; if the EC is to permit itself a regional champion in this sector, better a confederation than a monopoly.

Maxwell Communications



Despite the talk about becoming a pure publishing company, Maxwell Communication appears to have decided not to make a clean break with printing, after all, in fairness, retaining a stake in BPCO seems sensible enough, even though it may be marginally harder in the future for MCC to command the most competitive printing rates going. The expe-

rience of Bowater with UK Paper shows the risks in letting the management take the lot, and Maxwell seems to have secured its stake on the most advantageous terms. The sudden decision to keep the newspaper printing business has a less satisfactory explanation, which presumably is more to do with an absence of buyers than any change of heart.

The price agreed for BPCO also fails to correspond with the master plan, which indiscreetly hinted at £350m. Still, in getting cash of £265m plus assets and perks, MCC has not done too badly; a pile of almost 15 is handsome for an almost flat progression of profits. It is just as well that buyout experts are only interested in cash flow.

Tootal

If Mr Abe Goldberg really wants to win Tootal this time he will need about three times as much money as before, and some stronger arguments. It is not clear whether he has either in the true Australian manner, the value of his extraordinarily complex empire is almost impossible to trace through the jangling of assets between different vehicles, which themselves are public one moment, private the next. In the meantime his target has become rather tattered and more coherent, with a brand new management which has reinforced the balance sheet, made a few acquisitions and altogether provided promising material for a defence document.

Whether Tootal's shareholders did well to send Mr Goldberg packing three years ago is another matter. Looked at relative to the market as a whole, the shares are some 5 per cent lower than their 1985 peak, even after this week's rise. On the other hand, Tootal may choose to compare its performance to that of its peers in textiles, and conclude that its market has done vastly outperformed in the same period. But the main reason is that thread is a lovely defensive business when times get hard, and that China - where its links are good - is considered one of the most promising places to be. That, in turn, may be precisely why Mr Goldberg is confident that even if he does not want Tootal, there may be plenty of others who do.

Drexel Burnham

It is hard to underestimate the sheer scale of the settlement which Drexel Burnham Lambert, the most aggressive of the major Wall Street investment banks, has made with the US law enforcement authorities. The transgressions of rival firms like E.F. Hutton and Kidder Peabody, or the abuses which took place at Morgan Grenfell during the Guinness affair, are minor by comparison with Drexel's criminal behaviour, and the authorities have exacted an embarrassingly high price. The \$650m fine is larger than the capital base of all but the top dozen or so US investment banks, and now that the Feds have marked the way, there will doubtless be plenty of others who will want to pick over the remains.

Nevertheless, Drexel has got off relatively lightly. It has avoided being treated like the Mafia and charged with racketeering offences. This would almost certainly have led to the withdrawal of much of the \$30m of short-term borrowings which it needs to continue

Prestige drains from stubborn Papandreou

Andriana Ierodiakonou explains the fall from grace of the Greek Prime Minister

FOR Greece's 10m inhabitants and their beleaguered Socialist Government, Christmas will be arriving none too soon this year.

The prospect of a two-week respite - in Greece life does not return to normal until after the religious festival of Epiphany on January 6 - from the extraordinary political crisis that has gripped the country since the end of the summer has drawn an audible gasp of relief from all sides.

Greek politics over the past few months has veered between tragedy and farce. It has severely weakened the Socialists but so far failed to dislodge them from power. The public has faced a barrage of rumours and allegations of financial corruption involving the Government, sparked off by the filing of fraud charges last October against Mr George Koskotas, the former Deputy Defence Minister and a respected founding member of the Socialist Party (Pasok). He quit his post accusing close friends and aides of Mr Andreas Papandreou, the Prime Minister, of involvement in financial irregularities related to defence procurement contracts and illegal arms sales.

Greeks, normally inured to political drama, have watched these developments with growing anger and perplexity. This



Papandreou: under pressure



Koskotas: links with Pasok

has been no less true of Mr Papandreou's widely publicised extra-marital liaison with Ms Dimitra Liant, which came into the open during the Greek premier's stay in a London hospital for heart surgery last summer.

Initial tolerance and even sympathy among significant sections of society for the Prime Minister's relationship has all but evaporated as a result of clumsy handling of the matter since Mr Papandreou's return from London.

With the year still not clear for his divorce, the Prime Minister has taken up highly vis-

published daily in Athens, among which Pasok used to enjoy a broad backing, only two or three support the Government. A bitter war of words has broken out between the two sides, with Mr Papandreou accusing the press of "lies" and "vulgarity" and the press retorting that the Prime Minister is trying to muzzle its independent voice.

The failure of the most recent attempt to unseat the Government - when the conservative and communist opposition jointly appealed to Socialist deputies to veto the 1989 state budget in parliament - means that for the moment, the Socialists appear entrenched in power until the end of their four-year term next June.

However Mr Papandreou remains under pressure from a number of Pasok deputies to dismiss ministers whose names have been linked with reports of corruption, and proceed to the polls under a new electoral system based on a fair seat distribution for small parties.

That pressure may ease temporarily over the holidays but if Mr Papandreou could ask Father Christmas for any present at all this year, that present would surely be the return of his lost prestige.

GEC and CGE merge power divisions

By Paul Betts in Paris and Nick Garnett in London

ONE of the biggest shakeups seen in the European engineering industry was unveiled last night by General Electric Company of the UK and Compagnie Générale d'Electricité of France.

The two are merging their power generating and other heavy engineering activities to form a new company with annual sales of \$4bn (\$7.10bn) and 85,000 employees.

The move is part of a fundamental reshuffling in the European power and heavy engineering industries sparked by the merger last year of Brown

company's supervisory board. GEC, which last month announced the formation of a joint company with Siemens of West Germany to try to take over Plessey, the UK defence and telecommunications company, is contributing its Power Group to the new business. This includes all its power station equipment, rail traction and industrial automation businesses.

The division employs 42,000 out of GEC's total labour force of 157,000 and accounted for £1.5m of the company's £5.9m turnover last year.

Alstom, which employs 42,000 people, is France's main power station equipment supplier and highest locomotive builder.

The GEC/CGE move appears for the time being to have halted speculation about whether the GEC-Siemens arrangement would lead to further business mergers between the British and German companies. It is possible, however, that Siemens, which is a heavyweights in power generation and factory automation could be brought in as a third partner with GEC and CGE.

UK unveils plans to overhaul company law

By Clive Wolman and Nikki Telf in London

PROPOSALS for the first overhaul of company legislation for eight years were published yesterday as part of a Government Bill - laws proposed in parliament. It also amends the methods of vetting proposed mergers and strengthens the powers of public investigators.

The central provisions of the Bill, which is to be debated first by the Lords in the upper house, are designed to implement the European Community's seventh and eighth company law directives on the consolidation of accounts and the regulation of auditors. The latter provision is unlikely to come into force until 1991, a year or more after the EC deadline.

The merger proposals lay down a procedure for allowing a company making a takeover bid to present the Office of Fair Trading and seek clearance so that there is no continuing threat of a reference of the bid to the Monopolies and Mergers Commission.

The main new investigatory power introduced by the Bill would allow the UK authorities to investigate US-based investment firms and other companies on behalf of overseas regulators.

Such investigations will have the back-up of criminal sanctions, including imprisonment, against those that fail to co-operate. Inspectors are also to be given stronger powers to enter premises, search and seize documents, books and papers.

Most of the Bill's key contents had been well signalled in advance. They include a reduction from 5 per cent to 3 per cent in the point at which share stakes have to be disclosed, with a two day rather five day disclosure period.

Israel's coalition wins vote of confidence

By Our Foreign Staff

THE NEW Israeli coalition yesterday won a parliamentary vote of confidence and Mr Yitzhak Shamir, 73, the Prime Minister, said the Government would dedicate itself to fighting the recent diplomatic gains of the Palestine Liberation Organisation.

His right-wing Likud Party and the Labour Alignment led by Mr Shimon Peres had signed their coalition agreement earlier, ending 52 days of political infighting since the inconclusive November 1 elections.

The coalition accord makes no mention of an international Middle East peace conference - an idea favoured by most members of the United Nations - and advances no new proposals for solving the Arab-Israeli conflict.

In a policy speech to the Knesset (parliament) Mr Shamir called for direct negotiations with Jordan and with the Palestinians in the occupied territories not associated with the PLO.

The agreement rules out negotiation with the PLO and says any change in the sovereignty of the West Bank and

Gaza strip would require the approval of both main parties.

At the signing ceremony for the accord, Mr Shamir said: "We all recognised the political situation of the state of Israel obliges us at this moment to a maximum concentration of effort and forces us to work together to answer the dangers and hardships."

One of the main dangers perceived by the new Government is international pressure to negotiate with the PLO following last week's decision by the US to open a direct dialogue with the organisation. Mr Shamir said that the PLO had organised a worldwide propaganda assault aimed at forcing Israel to withdraw from the West Bank and Gaza, where the PLO would establish its own state.

Mr Peres becomes Finance Minister and Vice Prime Minister.

His place at the Foreign Ministry is taken by a senior Likud politician, Mr Moshe Arens, a close associate of the Prime Minister. Mr Yitzhak Rabin of Labour remains in charge of the Defence Ministry he has run since 1984.

man companies have on voting rights attached to newly acquired shares. Yesterday the Commission confirmed that it would work on this problem.

Greece and Denmark have no national takeover rules, because such operations hardly exist there. Belgium and Luxembourg take a case-by-case approach to public bids, while France, Spain and Portugal have a statutory legal framework. The other five - the UK, Germany, Italy, the Netherlands and Ireland - rely on codes of conduct with various degrees of legal backing.

EC harmonises rules

Continued from Page 1

meeting before the launching of a bid. The proposed rules would appear to outlaw a repeat of the defensive tactics used by Societe Generale de Belgique (SGB) against Mr Carlo De Benedetti's hostile bid at the start of this year. The SGB affair that sensitised many Europeans to the conduct of takeovers.

In separate Council discussions on EC merger control, UK ministers have been pressing the Commission to examine general company law barriers to takeovers, such as the restrictions which many Ger-

WORLD WEATHER			
Area	Temp	Wind	Pressure
Algeria	16	10	1012
Alexandria	18	12	1012
Amsterdam	10	15	1012
Ankara	10	10	1012
Antwerp	10	15	1012
Bahia	22	10	1012
Bangkok	28	10	1012
Batavia	28	10	1012
Bombay	28	10	1012
Buenos Aires	18	10	1012
Calcutta	28	10	1012
Canton	28	10	1012
Cebu	28	10	1012
Colon	28	10	1012
Hankow	28	10	1012
Hong Kong	28	10	1012
Kobe	18	10	1012
London	10	15	1012
Lyons	10	15	1012
Manila	28	10	1012
Medan	28	10	1012
Osaka	18	10	1012
Paris	10	15	1012
Perth	18	10	1012
Rangoon	28	10	1012
San Francisco	18	10	1012
Singapore	28	10	1012
Sourabaya	28	10	1012
Taipei	28	10	1012
Tokyo	18	10	1012
Yokohama	18	10	1012

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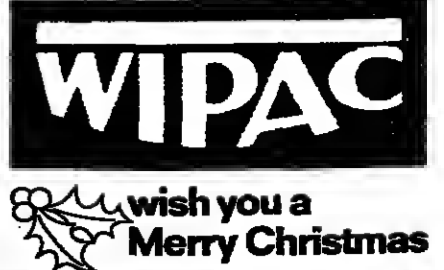
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December 23, 1988



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INSIDE

Sweeping ABB to profits in Germany

Mr Eberhard von Kőrber (left) is the new broom who has been sweeping clean the West German subsidiary of Asea...

Decision time for Australian gas

The next phase of the A\$12bn Australian North-West Shelf natural gas project is at a critical stage, with the six partners undecided on whether the time is right to place a A\$1.5bn platform over the Goodwyn field...

Life under the lazy bear

The comfortable days of the Raging Bull in Australia's stock market have given way to domination by the Lazy Bear, making 1988 a year of low volumes, chummy investors and struggling brokers...

Co Op rings up board change

Mr Hans Friderichs, the former West German Economics Minister and later chief executive of Dresdner Bank, was yesterday unanimously elected as new supervisory board chairman of Co op, the troubled German retailer which on Saturday sacked its entire managing board...

Lord Hanson misses out on his £11bn Christmas present

Lord Hanson (left), chairman of the UK conglomerate that bears his name, held a Christmas party yesterday, but it failed to produce the £11bn present he had been expecting...

Kidnapping, law suits and heroic endeavour - it's all in the game

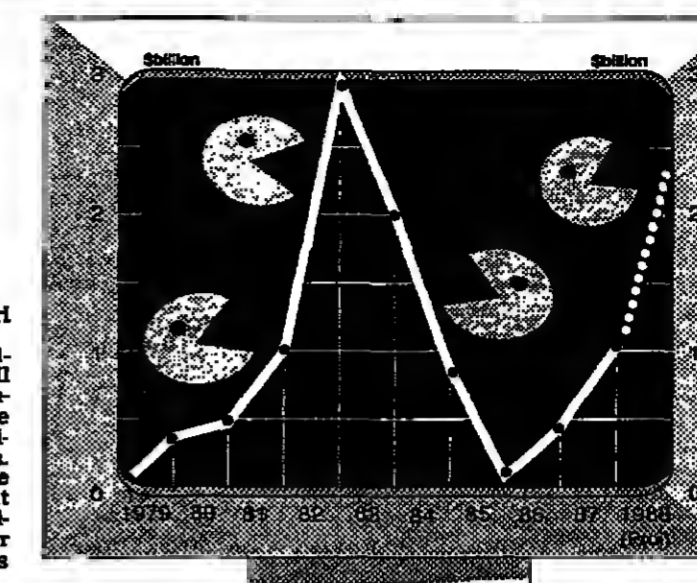
For millions of youngsters in the US, the package under the Christmas tree will this year contain a Nintendo video game system. Topping the US toy charts for the second year in a row, and already installed in one out of every three homes in Japan...

Louise Kehoe explains how Nintendo of Japan has taken videos back to the top of the US toy charts this Christmas

Nintendo is a far from typical Japanese consumer electronics manufacturer. Founded 99 years ago as a manufacturer of Japanese playing cards (known as Hanafuda) the company is based in Kyoto, a city known for its Buddhist temples and Shinto shrines...

Toyland loses its creative sparkle

THE GLOBAL toy business is in the doldrums, with stagnating sales and a lack of creative ideas. After the heady days of the early 1980s - when toys such as Cabbage Patch dolls or games like Trivial Pursuit spurred on worldwide sales - the major toy companies have faced a difficult time...



Decline and rebirth of US video game industry

Collins in talks with white knight

By Fiona Thompson in London

THE BATTLE for William Collins intensified yesterday as the company announced it was in talks with a potential white knight. But News International, which has a £224m (£83m) hostile bid on the table, insisted it would not sell its 41.7 per cent stake in the British book publisher...

Goldberg has 9.2% of Tootal

By Alice Rawsthorn in London

MR ABE Goldberg, a powerful player in the Australian textile industry, has amassed a 9.2 per cent stake in Tootal, the UK textile group, three years after mounting an unsuccessful bid for the company...

Spanish lift Royal Bank stake

By Peter Bruce in Madrid

BANCO SANTANDER, the big Spanish commercial bank, has increased its stake in The Royal Bank of Scotland by 5 per cent, taking its total shareholding in Britain's sixth largest high street bank to almost 10 per cent...

Market Statistics table with columns for Swap lending rates, Standard & Poor's, European options, etc.

Companies in this section table listing AT&T, Andrus, Arion, Avdel, etc.

Chief price changes yesterday table with columns for Frankfurt (D), Paris (FF), New York (D), etc.

LONDON (Pence) table listing shares like British Petroleum, British Airways, etc.

RUSTENBURG PLATINUM HOLDINGS LIMITED and LEBOWA PLATINUM MINES LIMITED advertisement with technical details about Ford's new catalyst.

INTERNATIONAL COMPANIES AND FINANCE

Metallgesellschaft buys 47% of tungsten group

By Andrew Fisher in Frankfurt

METALLGESELLSCHAFT, the West German metals, mining, chemicals, and engineering group, is taking a majority stake in Europe's largest tungsten operation in a deal which also involves the sale of its profitable packaging interests as part of a strategic decision to concentrate on its main activities.

It is buying 47.5 per cent of Wolfgram Bergbau- und Hütten-Gesellschaft (WBH), near Salzburg in Austria, from Voest-Alpine, the state-owned Austrian industrial concern. The German company already owns 47.5 per cent of the venture and will buy the remaining 5 per cent from Teledyne of the US.

In what is effectively an exchange of interests - industry analysts said the deal was worth well over DM100m

(\$56.8m) - the German company is selling its packaging activities to Austria Metall (AMAG), which aims to expand in the EC.

Metallgesellschaft's German and foreign pecking subsidiaries have a combined turnover of DM960m and employ 1,150 people. Like Voest, AMAG is part of the state-owned Osterreichische Industrieholding.

"This is a good transaction which makes a lot of sense for both sides," said Mr Heinz Schimmelbusch, the deputy chairman of Metallgesellschaft who takes over as chairman in May. The German company will sell 26 per cent of its increased WBH holding on to Metallwerk Plansee, an Austrian specialist in metallurgy.

Tungsten, used to harden

other metals and alloys, has a variety of civil and military applications in the oil, aerospace, motor and engineering sectors. The WBH mine, which is one of the largest outside China, has an output of some 500,000 tonnes a year, and operates at low cost because of the high technology integration of the mining, refining, and recycling phases. Its annual turnover is around Sch700m (\$56.4m).

The transaction comes shortly after Metallgesellschaft announced a rise in net profits of 50 per cent to around DM150m for the financial year to September 30 1988. It is lifting the dividend from DM5 to DM6 a share. The company said the current year had begun favourably.

Co op elects board chairman

By Haig Simonian in Frankfurt

MR HANS Friderichs, the former West German Economics Minister and later chief executive of Dresdner Bank, was yesterday unanimously elected as new supervisory board chairman of Co op, the troubled German retailer which on Saturday sacked its entire managing board.

Mr Friderichs, who is the choice of the four foreign banks which control over 70 per cent of Co op's shares, is likely to reassure Co op's many creditor banks and restore morale at the company, which is one of Germany's top three food retailers with estimated sales of DM14bn (\$7.95bn) this year.

Co op has been the subject of highly critical reports in recent weeks regarding its heavy debt burden, cash-flow problems and possible mismanagement.

In late November, Swiss Bank Corporation, Amro, Security Pacific and Svenska Handelsbanken announced a major restructuring in which Bank für Gemeinwirtschaft and Deutsche Genossenschaftsbank would also participate.

However, yesterday's supervisory board meeting put off a decision on a new managing board to replace Mr Bernd Otto, Co op's former chief executive, and his two colleagues.

A decision will be taken as quickly as possible in the new year, Co op said.

The company's day-to-day affairs will remain in the hands of Mr Gerhard Jakob, a former banker and member of its supervisory board, and Mr Albert Döttger, the head of one of its main subsidiaries, who were appointed on an "interim" basis on Saturday.

Meanwhile, enquiries by the Frankfurt prosecutor's office into the company are continuing.

Co op floated 7 per cent of its shares on the stock exchange in October last year and is being investigated for possible misrepresentation of its true financial position at the time.

AT&T moves closer to Italtel link

By Alan Friedman in Milan

AMERICAN Telephone & Telegraph is thought to be making progress toward its goal of forging an alliance with Italtel, the telecommunications equipment maker that is controlled by Italy's IRI-Stet state holding group.

Although there was no official confirmation of a report yesterday in the Italian press suggesting that a political consensus has emerged in Rome in favour of choosing the US telecom giant from among the four suitors, it is believed that both the Socialist and Christian Democrat parties would be

prepared to approve the choice of AT&T.

During his recent visit to the US, Prime Minister Ciriaco De Mita met Mr Robert Allen, AT&T's chairman.

IRI-Stet has been seeking an international telecoms partner for Italtel since last year when the Fiat group withdrew from a planned joint venture with the state company.

Aside from AT&T the other companies which have been putting forward proposals are Siemens of West Germany, Alcatel of France and Ericsson of Sweden.

State industry officials in Rome yesterday said a formal decision on Italtel's foreign partner had not yet been taken, but AT&T and Siemens have been considered the frontrunners for several months now.

The final decision needs to be formalised by means of a complex procedure which will include the managers of Italtel, Stet and IRI and then a political decision by the Government. This process is expected to be concluded within the next couple of weeks so that a decision should be announced

early in the New Year.

Once a formal selection is made, the negotiations will move into a technical phase. The Italians are insisting, for example, that the foreign partner must help to market internationally Italtel's Lineau UT public switching system.

While Siemens, Alcatel and Ericsson already have an Italian presence in the telecoms equipment sector, AT&T's ties to Italy are to be found largely in its position as the holder of 25 per cent of the equity of Olivetti, the office automation group.

Hitachi and TI in venture

By Louise Kehoe in San Francisco

TEXAS Instruments of the US and Hitachi of Japan, two of the world's largest semiconductor producers, have agreed to work together on the development of future generations of dynamic random access memory (DRAM) chips.

The agreement, the terms of which were not revealed, reflects a growing interest in international partnerships among Japanese and US chip-makers despite several years of intense trade friction.

The three-year, renewable agreement will focus initially upon the joint development of 16 megabit DRAM technology but may be extended to future DRAM generations, the companies said.

The 16 megabit DRAMs have 16 times the memory capacity of the 1 megabit DRAMs used in many computers and other types of electronic equipment. Although experimental 16 megabit DRAMs have been developed by several Japanese companies and TI, but the devices are not expected to become standard computer parts before the mid-1990s.

TI and Hitachi have taken significantly different approaches.

Plan unveiled to raise equity for metals venture

By Chris Sherwell in Sydney

NORTH Broken Hill and CRA, the two Australian mining and smelting groups, yesterday released details of the equity raising planned for Pasmenco, the base metals joint venture first announced in June.

The new company, which embraces the mining, smelting and international marketing operations of the two groups' lead and zinc businesses, will issue about 20 per cent of its shares at A\$1.45 each to raise A\$293m (US\$173.5m) - broadly in line with expectations.

Their move comes when world prices are firm as a result of strong demand and tight supplies. Pasmenco itself will join MIM of Brisbane as a major Australian force in world base metals markets.

According to yesterday's announcement, shareholders of North Broken Hill and CRA will have priority in applying for some 140m shares to be issued. RTZ of the UK, which owns 49 per cent of CRA, is expected to take up any shares reserved for it.

The issue is designed to introduce new shareholders to the industry, offering investors direct exposure to the lead and zinc business and giving it a

broader equity base. The eventual size of North's and CRA's final shareholdings will be determined by the number of shares taken up, but will be around 40 per cent each.

Announcement of the details follows a related go-ahead from the Trade Practices Commission, which had expressed concern about the merger proposal because it might undermine competition in the domestic market. Under their plans, the two companies will continue to compete in the marketing of zinc in Australia.

When the merger was announced, the two companies said Pasmenco would have an annual production of 380,000 tonnes of zinc in concentrates, 280,000 tonnes of lead in concentrates, and 638,000 kg of silver in concentrates and lead hullion. Annual sales were projected at A\$1.5bn.

Its mines are at Broken Hill and Cohar in New South Wales, Beltana in South Australia and Rosebery in Tasmania. It will also operate smelters and refineries in Port Pirie, South Australia, at Risdon in Tasmania and at Cockle Creek in New South Wales.

Wilhelmsen sails into lead

By Karen Fosell in Oslo

THE withdrawal of UK-based Ocean Transport and Trading from the Barber Blue Sea transatlantic shipping consortium paves the way for Norway's Wilhelmsen group to establish one of the world's largest deep sea roll on roll off fleets.

The acquisition of Ocean's two Barber Blue Sea ships, together with other tonnage, will give Wilhelmsen Lines, the group's newly formed roll on roll off subsidiary, a fleet of 11 modern ships, including one on time charter.

The new company will consolidate the roll on roll off services of both the Barber Blue Sea consortium and ScanCarriers, Wilhelmsen's joint venture with East Asiatic of Denmark and Transatlantic of Sweden.

The Wilhelmsen group will have a 55 per cent stake in Wilhelmsen Lines, with the remaining 45 per cent split equally between three Finnish

investors, BS Finance, TR Shipping (Thor Roenhovde) and Holmning, an industrial group. The Finnish companies have jointly invested \$82m.

Transatlantic and East Asiatic will continue to hold minority stakes of 27.4 per cent and 19.3 per cent respectively in ScanCarriers, which becomes a subsidiary of Wilhelmsen Lines.

Wilhelmsen says the break-up of the two joint ventures will streamline decision-making by bringing all operations under the control of Mr Bjørn Robertsen, formerly president of Wilhelmsen A/S Liner Division, who is to become president and chief executive officer of Wilhelmsen Lines.

Mr Mark McVicar, a shipping analyst with London-based County NatWest, said Wilhelmsen's move was likely to be followed by further restructuring in the New Year as the industry continues

attempts to reduce overcapacity.

There are around 60 deep sea roll on roll off ships with capacity of more than 1,000 TEU (standard containers). Around 20 smaller ships are under construction or on order.

The establishment of Wilhelmsen Lines, which will have capital of around \$350m and an annual turnover of around \$300m, represents the last step in a restructuring of the Wilhelmsen group, which has been struggling with debt since 1986.

It will group together the services of Barber Blue Sea (Far East, Central America, Caribbean, USA and Canada), ScanCarriers (Scandinavia, Europe, Australia, New Zealand, Far East, Canada and US), Willine (Far East, Middle East), Barber West Africa Line (USA, Africa).

The new company will also own 50 per cent of Open Bulk Carriers (Canada, US).

DSM purchase bolsters US presence

By Laura Raun in Amsterdam

DSM, the Dutch chemicals company that is soon to be privatised, has acquired Polymer Corp of the US in an effort to strengthen its engineering plastics side and its presence in America.

A spokesman said yesterday that DSM was paying "several hundred million guilders" in cash to Polymer's owners, who are management and private investors.

Polymer is to be merged with Eria, DSM's plastic processing division, by February. The newly combined unit will have annual sales of about \$240m and will employ 2,300.

Engineering plastics are one of the high-technology products which DSM is seeking to strengthen as part of its corporate strategy. Such plastics are particularly important in the automotive and electrical

industries.

DSM, which is now owned by the Dutch Government, is also seeking to expand in North America, where it derives only about 4 per cent of its revenue.

Polymer is the leading US producer of engineering plastic stock shapes and machined parts, as well as thermoplastic hoses and plastic compounds for injection moulding.

Brierley pulls out of bank bid

By Del Hayward in Wellington

BRIERLEY Investments, Mr Ron Brierley's international investment group, has said it was no longer interested in owning the Bank of New Zealand. This follows the Government's rejection of its bid.

Brierley Investments had been widely regarded as being a front runner in the bidding for the bank, which had been put for sale by the New Zealand Government. The Government intends to raise a total of NZ\$2bn (US\$1.28bn) from asset sales in the current financial year.

One reason for Brierley's loss of interest in the BNZ may have been its success in the bidding for Air New Zealand, the state-owned airline. The consortium, of which Brierley was a part, paid NZ\$600m for the airline and this was considered by the Air New Zealand board and analysts to be a particularly good price.

The Government was unhappy with all the bids it had received because they were well below the value it had placed on BNZ. It said the sale process would continue but Brierley Investments had decided it was no longer interested. It is understood Brierley's bid was extremely low.

Mr Paul Collins, Brierley Investments' chief executive, said last night: "We have no intention of making another bid. We have discounted it."

The National Australia Bank, the other major contender in the bidding, apparently attached conditions to its bid.

This announcement appears as a matter of record only.

NEW ISSUE

DECEMBER 1988



DAISHINPAN CO., LTD.

U.S. \$100,000,000

4¾ per cent. Guaranteed Bonds Due 1992

unconditionally and irrevocably guaranteed as to payment of principal and interest by

The Sanwa Bank, Limited

with

Warrants

to subscribe for shares of common stock of Daishinpan Co., Ltd.

Issue Price 100 per cent.

New Japan Securities Europe Limited

Sanwa International Limited

Deutsche Bank Capital Markets Limited

Merrill Lynch International & Co.

Nomura International Limited

J. Henry Schroder Wagg & Co. Limited

SBCI Swiss Bank Corporation Investment banking

Taiyo Kobe International Limited

Barclays de Zoete Wedd Limited

Cosmo Securities (Europe) Limited

Crédit Lyonnais

Daiva Bank (Capital Management) Limited

IBJ International Limited

Kleinwort Benson Limited

KOKUSAI Europe Limited

Kredietbank International Group

Kuwait Foreign Trading Contracting & Investment Co. (S.A.K.) LTCB International Limited

Manufacturers Hanover Limited

Morgan Grenfell Securities Limited

J. P. Morgan Securities Asia Ltd.

Towa International Limited

Toyo Trust International Limited

S. G. Warburg Securities

Yamaichi International (Europe) Limited

This announcement appears as a matter of record only.

New Issue

22nd December, 1988



Nippon Stainless Steel Co., Ltd.

U.S. \$100,000,000

4½ per cent. Guaranteed Notes 1992

with

Warrants

to subscribe for shares of common stock of Nippon Stainless Steel Co., Ltd.

The Notes will be unconditionally and irrevocably guaranteed by

The Sumitomo Bank, Limited

Issue Price 100 per cent.

Yamaichi International (Europe) Limited

Daiva Europe Limited

Sumitomo Finance International

Morgan Stanley International

SBCI Swiss Bank Corporation Investment banking

LTCB International Limited

Sumitomo Trust International Limited

ANZ McCaughan

Banca del Gottardo

Banque Bruxelles Lambert S.A.

Baring Brothers & Co., Limited

Bayerische Landesbank Girozentrale

Citicorp Investment Bank Limited

County NatWest Limited

Dai-ichi Europe Limited

Deutsche Bank Capital Markets Limited

Goldman Sachs International Limited

Meiko Europe Limited

Merrill Lynch International & Co.

Mitsubishi Trust International Limited

The Nikko Securities Co., (Europe) Ltd.

Nippon Credit International Limited

Nomura International Limited

Saitama Finance International Limited

Salomon Brothers International Limited

Taiheyo Europe Limited

S.G. Warburg Securities

INTERNATIONAL COMPANIES AND FINANCE

Clean sweep at ABB subsidiary

David Marsh talks to the Mannheim chief of the engineering group

Mr Eberhard von K6rber, a brisk 50-year-old from northern Germany, is the new broom at the West German subsidiary of Asea Brown Boveri, the Swedish-Swiss engineering group.

Mr von K6rber, who took over as chairman at the beginning of this year, has been sweeping clean with a vigorous programme of cost reductions, rationalisation and job cuts. His aim is to bring profits at the Mannheim-based ABB subsidiary, currently less than 1 per cent of turnover, up to around 3 to 4 per cent by the next few years. That goal is a minimum target. "We will not be satisfied with that over the long term," says the quietly determined Mr von K6rber, who made his name at the Munich auto-maker BMW before moving to Brown Boveri in Switzerland in 1986.



Eberhard von K6rber: moving the train in the right direction

The shake-up at BBC's 80-year-old Mannheim subsidiary forms an important part of restructuring in the overall ABB group, formed by merger between Asea and BBC which took effect at the beginning of this year.

"The West German subsidiary makes power generating equipment, transformers and other electrical engineering products. It is more than 75 per cent owned by the ABB parent company in Zurich, with the rest scattered among small shareholders.

Mr von K6rber has brought in job cuts slimming the company's workforce by around 1,200 this year to a planned 34,000 at the end of the year. More job cuts are planned in 1989.

He has moved some components purchases outside West Germany in a general restructuring of sourcing to lower cost countries, and has launched a major reduction in overheads. He is subcontracting considerably more smaller items of work outside the company. Mr von K6rber, however, declines to give figures for the overall cost reductions achieved.

now. It has no turnover in new nuclear plant business and only about 400 people are employed in the nuclear division.

ABB has teamed up with Siemens power division, Kraftwerk Union, to pool activities in the high temperature reactor (HTR) field, a form of nuclear plant pioneered by BBC in the 1950s. This allows the two companies to cut back staff in this area while maintaining essential development teams, Mr von K6rber says.

Underlining the difficulties facing the nuclear industry in West Germany, the pioneering West German HTR in Hamm-Untrop in the state of North Rhine Westphalia is close to being shut down because of the refusal of the state and federal governments to cover its operating costs.

Mr von K6rber says that both Siemens and ABB agree that no new nuclear reactor orders in West Germany are likely at least until the end of the century, reflecting both the ageing capacity and political opposition.

In October, Siemens and ABB signed an agreement in Moscow to help the Soviet Union construct a largescale test HTR by 1996, although detailed contracts have yet to be agreed. Provided the Soviet deal goes ahead smoothly in coming years, Mr von K6rber says the two German companies to build HTRs in other countries, especially in the former Soviet states such as East Germany and Bulgaria.

ABB-Mannheim has already licensed some production in such areas as turbines and turbochargers to Poland and East Germany. And, ever with an eye on reducing costs, Mr von K6rber says that the Soviet Union could be a supplier of power station components "at interesting cost levels."

ABB-Mannheim sales rose 12 per cent to DM2,520m (\$1,430m) in the first half of the 1987-88 business year, and Mr von K6rber expects turnover of around DM5bn for the year as a whole. Next year's sales are put at DM6bn, with part of the growth coming from acquisitions.

As part of this latter policy, ABB-Mannheim in October agreed to purchase the steam turbine division of the Nürnberg-based AEG-Kanis com-

pany. Mr von K6rber believes the restructuring of his company is symptomatic of the changes taking place in other portions of West German industry. "Never before have rationalisation programmes been put into action with the same stamina and speed that we are seeing now," he says. "There is a real disarmament in costs taking place."

"Companies have to become more efficient, more productive. We will see concentration on high quality, high precision, high technology products." As part of the drive to shed costs in the Federal Republic, ABB is building up production in more peripheral parts of the EC, led by Italy, Spain and Portugal.

BBC for 30 years was one of the Federal Republic's leading companies in nuclear power. But, following the completion of nuclear plants under order in previous years, Mr von K6rber says atomic energy is "irrelevant" to the company

STATE BANK OF INDIA
US\$100,000,000
Floating Rate Notes due 1997

For the six months, 22nd December 1988 to 22nd June 1989 the Notes will bear interest at 9.60% p.a. with a Coupon amount of US\$485.33 per US\$10,000 Note and US\$12,333.33 per US\$500,000 Note payable on 22nd June 1989

Agent Bank: **Lloyds Merchant Bank Limited**

CVAS 2 LIMITED
US\$100,000,000
Secured Floating Rate Notes due 1992

Interest Rate 9.67% p.a. Interest Period December 23, 1988 to June 23, 1989.
Interest Payable per US\$100,000 Note US\$4,888.72

December 23, 1988, London
By Citibank, N.A., (CIB) Dept. 1, Agent Bank

Swiss Eternit to phase out asbestos production

By John Wicks in Zurich

SWISS ETERNIT Group, one of the world's leading fibre cement producers, is to withdraw gradually from the asbestos sector, and plans a series of divestments, particularly in Latin America, and the strengthening of other activities.

"About 20 per cent of annual group turnover of some SF2bn (\$1.85bn) is accounted for by the sale of asbestos cement, and a further 20 per cent by asbestos-free fibre cement incorporating polyvinyl-alcohol fibres from Kuraray of Japan. SEG is controlled by Anova Holding, which administers the business interests of the Swiss industrialist Dr Stephan Schmidheiny.

Both the Swiss parent and its German affiliate are to put their fibre-cement production on a completely asbestos-free basis by 1991.

At the same time, SEG says it will dispose of a minority shareholding in Eternit Brazil and consequently the company's 50 per cent stake in

Roche acquires stake in Cetus

By John Wicks

HOFFMANN-La Roche, the Swiss chemicals group, is to acquire a stake in Cetus, the US bio-technology company based in Emeryville, California.

In terms of a licensing agreement, Roche will buy 500,000 of Cetus's approximately 27m ordinary shares at \$15 each. It will also acquire warrants conferring an option on a further 1m shares at \$15.75 per share.

The worldwide licensing agreement includes non-exclusive rights to Cetus's patents on human interleukin-2 and a polyethylene glycol modified form of this genetically-engineered product.

Interleukin-2, which is undergoing clinical tests in cancer therapy in the US, is an important signal substance for certain white corpuscles in the human immune system.

Cas owns 12 US and several European patents for various forms of interleukin-2 and corresponding production processes. Roche already has a number of patent rights for the product.

This announcement appears as a matter of record only

FIRST PACIFIC

FIRST PACIFIC COMPANY LIMITED
US\$100,000,000

Multicurrency Term Facility

Lead Managers: **The Bank of Tokyo, Ltd.** **The Mitsubishi-Bank, Limited**
Rabobank Nederland **Standard Chartered Bank**

Co-Lead Managers: **Fenoscandia Bank Limited** **NMB Bank, Hong Kong Branch**

Managers: **Dresdner Bank AG,** **PKBanken, Hong Kong Branch**

Arranger & Agent: **Standard Chartered Asia Limited**

December 1988

Standard Chartered

BRITAINS REGIONS - THE BOOM MOVES NORTHWARDS?

The Financial Times proposes to publish this survey on:

27th January 1989

For a full editorial synopsis and advertisement details, please contact:

Rachel Fieldmore on 01-248 8000 ext 4152
or write to her at:

Bracken House
10 Cannon Street
London
EC4P 4BY

FINANCIAL TIMES
EUROPE'S BUSINESS NEWS PAPER

Scandinavian Finance B.V.
U.S.\$70,000,000
Floating Rate Serial Notes due December 1993

Guaranteed on a subordinated basis by **Scandinavian Bank Group plc**

For the six months 23rd December, 1988 to 23rd June, 1989

Notwithstanding the provisions of the Notes, notice is hereby given that the rate of interest has been fixed at 9% per cent and that the interest payable on the relevant interest payment date, 23rd June, 1989 against Coupon No. 11 will be US\$488.80 per Nom.

Agent Bank: **Morgan Guaranty Trust Company of New York**, London

هكزامن الأجل

New Issue This announcement appears as a matter of record only. December 23, 1988

Bikuben
Sparekassen Bikuben
Copenhagen, Denmark

DM 125,000,000
6 1/2% Deutsche Mark Subordinated Bearer Bonds of 1988/1995

Issue Price: 100% - Interest: 6 1/2% p.a., payable annually in arrears on December 23, 1995 at par
Denomination: DM 1,000 and DM 5,000 - Security: Negative Pledge Undertaking - Listing: Frankfurt Stock Exchange

COMMERZBANK AG/NACHSCHUSSHAFT
BANK BRUSSEL LAMBERT N.V.
CHASE BANK AG/NACHSCHUSSHAFT
HESSISCHE LANDESBANK - GIROZENTRALE -
NORDDEUTSCHE LANDESBANK GIROZENTRALE
SOCIETE GENERALE - ELSSASSISCHE BANK & CO

BANQUE PARIBAS CAPITAL MARKETS GMBH
CSFB-EFFECTENBANK
MANUFACTURERS HANOVER BANK GMBH
SCHWEIZERISCHE BANKGESELLSCHAFT (DEUTSCHLAND) AG
SUMITOMO BANK (DEUTSCHLAND) GMBH

BAYERISCHE LANDESBANK GIROZENTRALE
DEUTSCHE GIROZENTRALE - DEUTSCHE KOMMUNALBANK -
NETSBANK (DEUTSCHLAND) GMBH
SHEARSON LEHMAN HUTTON A.G. BERNHARDT
YAMAICHI INTERNATIONAL (DEUTSCHLAND) GMBH

GRANVILLE SPONSORED SECURITIES

High	Low	Company	Price	Change	Yield	% P/E
293	185	Am. Brit. Ind. Ordinary	291ad	0	10.3	3.5
293	186	Am. Brit. Ind. Cash	295	0	10.0	3.4
42	25	Arctique and Bonds	32	-1	-	-
57	30	BBB Index group (USM)	30	0	2.1	6.8
173	125	Barclay Group	161ad	-7	2.7	17.25
117	100	Barclay Group Conv. Pref.	106	-11	6.7	6.3
140	103	Brig Technologies	103	0	5.2	7.9
114	100	Brenthill Com. Pref.	110	0	11.0	30.0
287	246	CDI Group Ordinary	287ad	0	12.3	4.3
176	124	CDI Group 11% Conv. Pref.	169	0	14.7	8.7
154	129	Carlo Pk (SE)	138	0	6.1	4.4
113	100	Carlo 7.5% Pref (SE)	109	0	10.3	9.4
354	147	George Blair	354	0	12.0	3.4
119	60	ISH Group	118	0	3.3	11.9
287	245	Multihouse NV (AmstSE)	261	0	-	-
119	40	Robert Jencks	107	0	7.5	7.8
430	124	Sarcosus	406	-2	5.0	26.9
280	194	Tony & Carlisle	276	0	7.7	28.13
100	100	Tony & Carlisle Conv. Pref.	100	0	10.7	10.7
96	56	Trehan Holdings (USM)	89ad	0	2.7	3.1
113	100	Unifrance Europe Conv. Pref.	108	0	8.0	7.4
355	350	Veterinary Drug Co. Plc	355	0	22.0	6.2
347	203	W.S. Wooters	347	-12	16.2	4.7

Securities designated (SD) and (DSM) are dealt in subject to the rules and regulations of the Stock Exchange. Other securities listed above are dealt in subject to the rules of TSA.

These Securities are dealt in strictly on a matched margin basis. Neither Granville & Co. Limited nor Granite Dealers Limited are market makers in these securities.

Granville & Co. Limited: 115, 87, Judaea Lane, London EC3R 8BP. Telephone: 01-421 1212. Member of TSA.

Granville Dealers Limited: 115, 87, Judaea Lane, London EC3R 8BP. Telephone: 01-421 1212. Member of the Stock Exchange & TSA.

I.G. INDEX LTD, 9-11 GROSVENOR GARDENS, LONDON SW1W 0BD
Tel: 01-828 7233/5679. Reuters Code: IGIN, 1610

FT 30	FTSE 100	WALL STREET
Dec. 1433/1442 N/C	Dec. 1770/1780 -1	Dec. 2167/2179 -1
Mar. 1452/1461 N/C	Mar. 1794/1804 -1	Mar. 2177/2189 -3

Prices taken at 5pm and change is from previous close at 9pm

Den Danske Bank
at 1871 Aktieselskab

U.S. \$30,000,000
Floating Rate Subordinated Notes Due 1989

In accordance with the provisions of the Notes, notice is hereby given that the rate of interest for the period 23rd December, 1988 to 23rd June, 1989 has been fixed at 9.6875 per cent, per annum and that the coupon amount payable on 23rd June, 1989 will be U.S.\$12,243.92 of interest per U.S.\$250,000 nominal of the note.

Agent Bank: **البنك السعودي الدولي المحدود**
Saudi International Bank
AL-BANK AL-SAUDI AL-ALAMI LIMITED

ALLIANCE AND LEICESTER BUILDING SOCIETY
Japanese Yen 10,000,000,000
Floating Rate Notes due 1993

In accordance with the provisions of the Notes, notice is hereby given that for the six month period 23rd December 1988 to but including 23rd June 1989 the Notes will carry an interest rate of 5.15 per cent, per annum. The Coupon No. 11 will be Japanese Yen 255,795 on the Notes of Japanese Yen 10,000,000. The relevant interest payment date will be 23rd June 1989.

Agent Bank: **Mitsui Finance Trust International Limited**, London

SEK
Aktiebolaget Svensk Exportkredit
(Swedish Export Credit Corporation)
ECU 60,000,000

1983-1995 Retractable Bonds

NOTICE IS HEREBY GIVEN that pursuant to Clause (8) of the Terms and Conditions of the Bonds, SEK have elected to change the rate of interest. The Bonds will bear interest at the rate of 7% per annum for the period commencing on the interest option date February 24th, 1989 and ending on February 24th, 1992.

Agent Bank: **Bankers Trust Company, London**

U.S. \$200,000,000
Hydro-Quebec
Floating Rate Notes, Series FY, Due July 2002

Interest Period: 21st July 1988 to 23rd January 1989

Interest Amount per U.S.\$10,000 Note due 23rd January 1989: **U.S.\$455.22**

Agent Bank: **Credit Suisse First Boston Limited**

SANWA AUSTRALIA LEASING LIMITED
A\$100,000,000
Guaranteed Floating Rate Notes Due 1993

In accordance with the conditions of the notes, notice is hereby given that for the three-month period 19th December 1988 to 20th March 1989 (91 days) the notes will carry an interest rate of 14.9867% p.a. Relevant interest payments will be as follows:

Notes of A\$100,000-A\$3,736.41 per coupon.

Agent Bank: **THE SANWA BANK LIMITED**

Deutsche Siedlungs- und Landesrentenbank Bonn/Berlin **DSL Bank**

DM 100,000,000
Floating Rate Notes - Schuldverschreibungen - Serie 233 - 1987/1991

For the three months 25th December 1988 to 24th March 1989 the Notes will carry an interest rate of 5.30% (Fibor less 0.10%) per annum with a coupon amount of DM66.25 per DM 5,000, - note.

The relevant interest payment date will be 28th March 1989.

Listing in Frankfurt.

Agent Bank: **Deutsche Siedlungs- und Landesrentenbank**

Franklin SAVINGS ASSOCIATION
U.S. \$250,000,000
Collateralized Floating Rate Notes due 1991

For the six month period 21st December, 1988 to 21st June, 1989 the Notes will carry an interest rate of 9.375% per annum with an interest amount of U.S. \$5,023.96 per U.S. \$100,000 Note and U.S. \$12,559.90 per U.S. \$250,000. Note payable on 21st June, 1989.

Agent Bank: **Bankers Trust Company, London**

Eni International Bank Limited
U.S. \$200,000,000
Guaranteed Floating Rate Notes due 1993

Unconditionally and irrevocably guaranteed by **Ente Nazionale Idrocarburi**

In accordance with the terms and conditions of the Notes, the rate of interest for the interest period December 23, 1988 to March 23, 1989 has been fixed at 9 1/8% per annum. Interest payable on March 23, 1989 will be US\$235.94 per Note of US\$100,000.

Agent: **Morgan Guaranty Trust Company of New York**, London Branch

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

22nd December, 1988



NIPPON ZEON CO., LTD.

U.S.\$100,000,000

4 1/2 per cent. Guaranteed Bonds due 1992

unconditionally and irrevocably guaranteed by

The Dai-ichi Kangyo Bank, Limited

with

Warrants

to subscribe for shares of common stock of Nippon Zeon Co., Ltd.

Issue Price 100 per cent.

Nomura International Limited

DKB International Limited

IBJ International Limited

The Nikko Securities Co., (Europe) Ltd.

Yamaichi International (Europe) Limited

Algemene Bank Nederland N.V.

Banque Bruxelles Lambert S.A.

Banque Paribas Capital Markets Limited

Barclays de Zoete Wedd Limited

Baring Brothers & Co., Limited

Bayerische Landesbank Girozentrale

Crédit Lyonnais

Credit Suisse First Boston Limited

DG BANK Deutsche Genossenschaftsbank

Robert Fleming & Co. Limited

Fuji International Finance Limited

Kleinwort Benson Limited

Kyowa Finance International Limited

Merrill Lynch International & Co.

Morgan Stanley International

Nippon Kangyo Kakumaru (Europe) Limited

SBCI Swiss Bank Corporation Investment banking

J. Henry Schroder Wagg & Co. Limited

Société Générale

Bank of Yokohama (Europe) S.A.

KOKUSAI Europe Limited

New Japan Securities Europe Limited

Norinchin International Limited

Sanyo International Limited

Yasuda Trust Europe Limited

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE

22nd December, 1988



TOKYO STEEL MANUFACTURING CO., LTD.

U.S.\$120,000,000

4 3/8 per cent. Bonds due 1992

with

Warrants

to subscribe for shares of common stock of

Tokyo Steel Manufacturing Co., Ltd.

ISSUE PRICE 100 PER CENT.

Nomura International Limited

Daiwa Europe Limited

Sumitomo Finance International

Banque Paribas Capital Markets Limited

Barclays de Zoete Wedd Limited

Baring Brothers & Co., Limited

Credit Suisse First Boston Limited

DKB International Limited

Robert Fleming & Co. Limited

Merrill Lynch International & Co.

J.P. Morgan Securities Asia Ltd.

Salomon Brothers International Limited

Shearson Lehman Hutton International

Union Bank of Switzerland (Securities) Limited

INTL CAPITAL MARKETS

Eurobonds yield to trivia quizzes and dealer insults

By Norma Cohen

WITH ONLY one day to go before Christmas, Eurobond market activity has disintegrated almost entirely...

On one set of screens, Mr Patrick Hellmich of ANZ Merchant Bank has offered to shave off his beard in exchange for a \$500 donation to Save the Children...

abound. One firm is alleged to have ordered its entire trading staff to dial all the phone numbers at International Insider...

"What is a whippersnapper?" "Which senior US economic official owned one of the world's most celebrated Bordeaux vineyards?"

International Insider's league table suggests there may be a relationship between underwriting new Eurobonds and remembering interesting, but largely useless, bits of information...

In Switzerland, the controversial Sfr150m 10-year bond for Nersa, the French-based nuclear power company, began trading yesterday.

Swiss banks face change over loan provisions

SWISS BANKS face new rules for governing provisions they must make on loans to problem debtor countries...

The commission said it decided to treat commercial credits with a maximum life of 300 days more favourably, as experience showed such credits were usually serviced on time and did not feature in debt rescheduling agreements...

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Table with columns for Bond Name, Issued, Maturity, Bid, Offer, Yield, and Price Change. Includes sections for US DOLLAR, STRAIGHTS, and CONVERTIBLE.

Table with columns for Bond Name, Issued, Maturity, Bid, Offer, Yield, and Price Change. Includes sections for DEUTSCHE BANK, STRAIGHTS, CONVERTIBLE, and NOTES.

Swiss Bonds: The yield is the yield to redemption of the mid-price... Straight Bonds: The yield is the yield to redemption of the mid-price...

WORLD INDUSTRIAL REVIEW

The Financial Times proposes to publish a Survey on the above on

23rd January 1989

For a full editorial synopsis and advertisement details, please contact:

Sue Mathieson on 01-248-8000 ext 4129 or write to her at: Bracklen House, 10 Cannon Street London EC4P 4BY.

US merchant banks' debt may be downgraded

MOODY'S Investors Service may downgrade the ratings on nearly \$3bn of debt securities of Shearson Lehman Hutton and Salomon Brothers...

"Bridging loans used to support takeover activities are almost always subordinated and equity interests are even more junior claims against highly leveraged companies."

Under review for downgrading are Shearson Lehman Hutton Holding's A-3 senior debt and Eurodebt, its (PA)-3(PP)-Baa-2 rated self-registration for senior and subordinated debt and Prime-1 commercial paper.

Denmark unveils likely targets for privatisation

By Our Copenhagen Correspondent

STATE-RUN Copenhagen International Airport and Denmark's two-sevenths share in Scandinavian Airlines System (SAS) head the sales list in a big privatisation scheme unveiled by the Danish Government...

The plan calls for privatisation projects to the tune of Dkr2bn (\$438.6m) a year between 1989 and 1992. Apart from the mooted sale of the Copenhagen International Airport, which is Europe's sixth busiest, Denmark is considering selling an unspecified part of its 50 per cent stake in Det Danske Luftfartsselskab (DDL) after negotiations with the Swedish and Norwegian governments...

The Danish Government's share in DDL has an estimated market value of about Dkr2bn, according to local estimates.

INTERNATIONAL CAPITAL MARKETS

SEC to clarify law on international dealing

Alfred Byrne, Allan Mostoff and Alan Rosenblat on effects of the proposed Regulation S initiative

GOVERNMENT BONDS

Liffe to review long gilt futures contract

By Stephen Fidler in London and Roderick Oram in New York

THE LONDON International Financial Futures Exchange said yesterday it would review its long gilt futures contract, largely because of the shrinking amount of long-dated stock in the British government bond market.

As a result, it will not list the new September contract as scheduled next Thursday. A review carried out last year resulted in a reduction from 12 to 9 per cent in the coupon on the notional gilt.

Although the coupon will again be studied, the main reason for the review is that officials want to ensure that, as the average life of the market shortens because the Government is issuing no new stock, the contract still remains useful for hedging.

Delivery under the contract is restricted to stocks of longer than 15 years maturity, and the number of stocks in this category is falling. Next spring, the 13 1/2 per cent Treasury stock maturing in 2004-05 will cease to be deliverable.

RECOVERING from a small dip on news of stronger than expected durable goods figures, Wall Street bond prices were little changed in quiet trading. Drexel Burnham Lambert's settlement of criminal charges had no impact.

Foreign exchange markets were similarly unimpaired as trading fell into a pre-holiday mode. The Treasury's 30-year

BENCHMARK GOVERNMENT BONDS table with columns for Coupon, Red Date, Price, Change, Yield, and Week/Month ago.

London closing, "domestic New York morning session. Yield: Local market standard. Prices: US, UK in \$/100, others in decimal. Technical Data/ATLAS Price Service

A series of recent US regulatory and legislative actions will have a significant impact on international dealings in securities, too, in one way or another the US markets.

The US Securities and Exchange Commission (SEC) has proposed three new regulatory initiatives to clarify how US securities laws will be applied to international transactions.

In order of publication they are proposed "Regulation S" under the Securities Act of 1933, concerning flotations and offers of securities; proposed Rule 144a under the same Act, which would create safe harbours for resales to institutional and other sophisticated investors of securities that are not registered with the SEC; and proposed Rule 15a-6 under the Securities Exchange Act of 1934, which identifies transactions in which non-US broker-dealers can engage without SEC registration.

In addition to these actions, the recently enacted Insider Trading and Securities Fraud Enforcement Act authorises the SEC to conduct investigations on behalf of non-US securities regulators.

The present article deals with Regulation S. The 1933 Act requires SEC registration whenever the US mails or any US "means or instruments of transportation or communication in interstate commerce" are used to offer or sell a security.

However, the SEC announced in 1964 that it would enforce US registration requirements only to the extent necessary to protect US investors and US securities markets, though it would continue to assert the full scope of its jurisdiction to prevent or prosecute fraud.

Since that time, the agency's policies towards international transactions have developed on a case-by-case basis, and have been publicised by individual interpretive letters. Despite its 1964 policy statement, the SEC's application of US law has been quite expansive and has caused non-US institutions and dealers to shy away from engaging in transactions which might subject them to SEC requirements.

Another shortcoming of the case-by-case evolution of law has been the lack of clearly stated policies. Thus, while acceptable procedures for certain types of transactions have been worked out through case notices, it is difficult for any but the most experienced practitioners to identify the relevant precedents and to determine their implications for a new situation.

Even experienced practitioners are often reluctant to advise on, or involve the US without first obtaining clearance from the SEC staff. The easiest answer is often simply to avoid any US involvement.

The proposed Regulation S would provide a coherent statement of the applicable law and identify the country's need for contractual restrictions on purchasers, the most awkward being the restrictions on resales in the US for a stated period of time

and the certification of non-US ownership.

On the other hand, the proposal is no retreat from the SEC's assertion of the extra-territorial reach of US law, and its complexity will not significantly reduce the need for expert interpretation. Also, the flexibility inherent in the current case-by-case approach may be lost, because the SEC intends to reduce sharply the number and variety of situations in which its staff will give interpretive advice.

Nevertheless, the proposal does represent a significant effort by the SEC to deal with increasing internationalisation of the securities markets. It has also provided the international financial community with a unique opportunity to influence, by comments on the draft, regulation in the international arena.

In addition to general guidelines, the proposed regulation provides two "safe harbours" for avoiding registration of securities flotations and offers. Regulation S is complex, but its provisions are tailored for specific categories of issuers and sellers, stating requirements separately for US reporting companies, non-reporting companies with no significant US market interest, and non-reporting companies with significant US market interest.

Adopting a "territorial" approach, Regulation S provides generally that flotations or sales of securities must be registered with the SEC only if they are made inside the US. Under the proposed guide-

lines, the location of a given flotation will depend on: Where the offers or sales occur; Where the securities are likely to come to rest; The justified expectations of the parties as to whether US law would apply; and Whether "directed selling efforts" - ie, marketing activities - take place in the US.

Practitioners may rely on these general principles or, for additional protection, may structure transactions to come within one of the Regulation's two "safe harbours". The "issuer safe harbour" establishes requirements which become progressively more restrictive depending on whether the issuer files information with the SEC and whether there is significant US market interest in the issuer.

Thus, least restrictions apply to offers by issuers that do not file reports with the SEC, and enjoy little US market interest. If these securities are sold only outside the US and there are no US marketing efforts, there is no need to worry about US registration.

In the case of issuers reporting to the SEC because of greater US market interest in their securities, all members of the underwriting syndicate must also agree not to sell the securities in the US or to US persons for 90 days after conclusion of the flotation. All promotional materials must disclose these restrictions.

Non-reporting issuers, in which there is significant US interest, are subject to the strictest requirements since little information is available about them in the US and the risk that they may enter the US market can be high. To avoid registration, these issuers must meet all the preceding requirements and must also verify that none of the securities was purchased by a US person before issuing any individual securities certificates. For equity securities, a one-year, rather than a 90-day holding period is required prior to US sales and purchasers must agree to restrictions on resale.

The "resale and safe harbour" permits persons who are neither issuers nor underwriters to sell securities on a non-US securities exchange without inquiring as to the identity of the purchaser, but they may not prearrange a sale to a US purchaser. For a non-exchange transaction, resellers must follow the same requirements as issuers and underwriters, except the disclosure and holding period requirements. They must also require their purchasers to comply with the same requirements. Reaction to proposed regulation have been generally favourable, except from the market for American depositary receipts (ADRs). The regulation would require a one-year bar on deposits of equity securities in an ADR facility sponsored by a non-reporting issuer when that issuer engages in a flotation of securities of the same class.

It is feared that this restriction would disrupt the ADR process for non-reporting issuers that it would discourage their sponsorship of ADRs, thus denying access to that market to most US investors. Commentators also fear increased SEC regulation of ADRs, which would not be welcome to issuers that have chosen to distribute in the US via ADRs precisely to avoid SEC regulation. Responding to these concerns, members of the SEC staff have indicated unofficially that the final Regulation will treat non-reporting issuers with sponsored ADR facilities the same as reporting issuers, subject to only a 90-day holding period.

In brief, while the proposed regulation does not curtail the reach of SEC requirements, it provides some welcome clarification and should permit many non-US offerings to proceed with much diminished concern that they may somehow become subject to the SEC. By failing to accept any foreign registration as a substitute for its own, however, the SEC's proposed requirements very likely progress towards the system of reciprocal disclosure and regulatory accommodation which many had hoped for. Progress on this front will have to await successful bilateral negotiations towards a reciprocal system, and SEC officials say that talks are under way with both Canada and the UK.

Mr Byrne in London and Mr Mostoff in Washington DC are partners in Dechert Price & Rhoads. Mr Rosenblat is counsel to this law firm in Washington DC.

Tisco plans offer for foreign investors

By R.C. Murthy in Bombay

TATA IRON and Steel Company (Tisco), India's largest private sector company, plans to offer part of its equity to international investors through a convertible debenture offer on world stock exchanges.

The proposal, yet to be approved by the Indian Government, is designed to offer for the first time direct access for the international investor to Indian corporate equity. So far, the access has been indirect, through investment

in mutual funds managed by the Unit Trust of India. New Delhi will have to change its foreign exchange regulations and corporate law to allow Tisco to take its equity offer overseas.

The company's proposal comes on the heels of a suggestion from SBI Capital Markets, a merchant banker, that the Government selectively allow Indian companies to sell part of their equity through international houses.

A shift in the Indian Govern-

ment's preference for equity investment from foreign loans has been evident in recent years as the country's debt servicing burden has mounted.

Mr D. Basu, chief of SBI Capital Markets, says opening up the economy for direct foreign investment in corporate stock depends on how speedily the laws can be changed and government approval.

The falling value of the rupee is a deterrent to investment, even if it is denominated

in foreign currencies. India's FDI, the Guernsey-based mutual fund subsidiary of Unit Trust of India, is quoted below par on the London Stock Exchange, even though the net asset value is well above par.

Merchant bankers say companies with export bias are well placed to offer their equity to overseas investors, since their export earnings will be able to service the equity without straining foreign exchange reserves.

Australian mining group arranges \$260m facility

By EUR Euromarkets Staff

RENISON Goldfields Consolidated, the Australian mining group, has arranged a \$260m multi-option facility through BA Asia.

The financing has a seven-year maturity and will be repaid starting in 1992. Together with current cash resources, the group said it now had A\$460m (US\$393m) of available funds. New Japan Securities said a special purpose company, Fighter III, was issuing a \$52m secured Euro Commercial Paper programme, Reuters reports.

The four-year programme will be backed by 4% per cent bond issued by Deakinpan and guaranteed by Sanwa Bank and will have rollover dates every three months. New Japan Securities is sole arranger and sole dealer for the issue.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Thursday December 22 1988

Table of EQUITY GROUPS & SUB-GROUPS with columns for Index, Day's Change, and various sub-sections like CAPITAL GOODS, CONSTRUCTION, etc.

FT-SE 100 SHARE INDEX

Table of FIXED INTEREST with columns for PRICE INDICES, British Government, and various interest rates.

Adapted index 1772.2, 10pm 1772.6, 11am 1772.6. Mean 1770.6, 1pm 1769.2, 3pm 1770.5, 4pm 1770.1, 4.05pm 1770.4. 4.45pm 1770.4. 4.55pm 1770.4. High and low record, base data, values and constituent changes are published in Saturday Issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4A 3DF, price 15p, by post 34p.

LONDON MARKET STATISTICS

RISES AND FALLS YESTERDAY

Table showing RISES AND FALLS YESTERDAY with columns for British Funds, Corporations, etc.

LONDON RECENT ISSUES

Table of EQUITIES with columns for Issue Price, Amount, Landed Date, etc.

FIXED INTEREST STOCKS

Table of FIXED INTEREST STOCKS with columns for Issue Price, Amount, Landed Date, etc.

RIGHTS OFFERS

Table of RIGHTS OFFERS with columns for Issue Price, Amount, Landed Date, etc.

TRADITIONAL OPTIONS

- First Dealings, Last Dealings, Last Declarations, For settlement, etc.

LONDON TRADED OPTIONS

Large table of LONDON TRADED OPTIONS with columns for Option, Calls, Puts, and various market data.

UK COMPANY NEWS

Maxwell sells BPCC to management for £265m

By Andrew Hill

MAXWELL Communication Corporation, the publishing and information group, yesterday confirmed the sale of BPCC, Britain's largest commercial printer, for £265m cash to a management team led by Mr John Holloran, MCC's executive vice-chairman in charge of UK printing.

MCC will retain up to 24.7 per cent of Bucksmere, the BPCC buy-out vehicle, at a cost of £21.6m, and it is thought that the management team will hold about 10 per cent of the new company. The rest will be held by institutions through the Electra Candover Investment Plan.

Mr Robert Maxwell, MCC chairman and chief executive, said the disposal was aimed at reducing debt following the purchases of the Official Airline Guides division of Dun & Bradstreet and Macmillan, the US publisher. MCC also hopes to raise up to £1bn (£555m) in the US with disposals of non-core businesses, some of which have already taken place.

The company's stakes in two printing groups - 25.6 per cent of Norton Opax and 14.9 per cent of De La Rue - were not

included in the deal, but it is thought that they will eventually be sold.

MCC first announced that it would dispose of its UK commercial printing interests at the beginning of November. The group had also encouraged speculation that British Newspaper Printing Corporation, which prints Mr Maxwell's national newspapers, was for sale, but Mr Maxwell said yesterday it would be retained.

The publishing group will also hold on to BPCC properties valued at £30.4m, and certain printing businesses with net assets of £6.3m. Bucksmere may pay a further £30m for the business - £10m if it sells certain BPCC operations and £20m dependent on the company's value at the time of its sale or listing, which could take place within five years of the buy-out.

Mr Maxwell bought British Printing Corporation in 1980, when it was near to bankruptcy.

He said yesterday: "I am proud to be able to sell BPCC to the management-led buy-out. The company is sound technologically, it is up to date,

it has good orders and we will remain a substantial shareholder and one of its major customers."

Business generated by MCC and Mirror Group Newspapers, which is privately owned, accounts for about 10 per cent of BPCC's turnover, which reached £280.6m in 1987. Operating profits were £36.5m and net assets stood at £177.3m.

St Yves, the printing group, is thought to have submitted a higher offer than BPCC's management, but would have encountered monopoly objections had it proceeded.

The leveraged buy-out is being funded by Standard Chartered Bank and by institutions investing through Electra Candover.

Mr Michael Stoddart, chairman of Electra Investment Trust and new chairman of Next, the retail group, is to be non-executive chairman of Bucksmere, which intends to change its name to BPCC in due course. Mr Holloran will be chief executive, and Mr Ian Maxwell, MCC's joint managing director, will be a non-executive director.

See Lex

Textron narrows the gap in its Avdel bid

By Nikki Tait

TEXTRON, the large US conglomerate which earlier this week made a £125.2m recommended bid for Avdel, UK fasteners group, yesterday edged its way closer to control with further purchases of its target's shares.

Textron announced that it had bought another 775,000 ordinary shares at 92p each and a further 342,000 10 per cent cumulative preference shares.

After Wednesday's market spree, this means that Textron now has 16.3 per cent of the total voting rights.

Institutional investors speaking for 26.1 per cent of the votes have also indicated their support for the Textron offer.

This takes its total control of the voting rights to 42.4 per cent.

In addition, application has been made to the Stock Exchange to list some new ordinary shares upon the exercise of directors' share options.

If these shares, plus those already held by directors, were assented to the offer, Textron's advisers calculate that they would account for a further 3 per cent of the enlarged equity.

Textron's current level of control, however, is still slightly below the formidable 43.1 per cent of the voting rights owned by US-based Banner Industries, the rival bidder.

Banner's offer, which cannot be increased, is pitched at 83p a share compared with Textron's 92p.

Intriguingly, some shares were changing hands at 89p yesterday - above the Textron offer price - and Avdel shares closed at a mid-price of 92½p.

Neither Banner nor Textron had any explanation for the trading, although both agreed the number of shares involved was small.

Textron has not declared its offer final, and one explanation might be that someone is pointing on the possibility that it will raise its terms in an effort to secure Banner's stake.

Hanson unbowed by borrowings setback

By Nikki Tait

HSAVENS - what one has to go through to get £11bn.

Extraordinary meetings called to approve the extension in the borrowing powers of Hanson, the acquisitive UK conglomerate, yesterday ended in a technical stalemate when insufficient proxies were submitted by holders of loan stock and convertible preference shares.

More than 50 per cent of the loan stock class had to be voted and one-third of the preference shares. The actual turnout was well below those levels - an eventuality which Mr Mar-

tin Taylor, deputy chairman, said the company fully anticipated.

New meetings, therefore, have been called for January 6 and December 29 respectively, when the motions - which will extend Hanson's borrowing limit from £6.5bn to £11bn, and permit it to buy in shares if it wishes - can be passed on a show of hands.

Not that the Hanson faithful were unresponsive. Of the proxies received, 99 per cent were in favour. More than 100 shareholders even turned up at the Royal Lancaster Hotel - a thoughtful 10-minute walk from Oxford Street - to register their votes in person.

It was a cordial occasion. A gentle hubbub, reminiscent of the best vicarage tea-parties, encompassed the gathering as the appointed hour approached. "It's a good turnout," remarked one woman. "Well," replied her husband, "one expects it."

Lord Hanson was appreciative. He knew how busy shareholders were; he apologised for the tiresome technicalities; he sped through the complex proceedings with the festive air of a pantomime company.

The questions were few. One shareholder, however, did

press Lord Hanson on the theory matter of goodwill.

Lord Hanson, throwing accounting caution to the winds, proffered his own definition. "If you're trading a horse, it is the value to the buyer, and what the seller can get for it," he stated firmly.

And, having wished shareholders "a very, very happy Christmas," he passed just long enough to note that radio astrologist had said that January would be an excellent month for all Capricorns, of which he is one. No doubt, the £11bn limit will be satisfactorily approved by then.

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The questions were few. One shareholder, however, did

Courtaulds expands US industrial films

By Alice Rawsthorn

COURTAULDS, international textiles and chemicals group, is expanding its industrial films interests in the US by buying Andus, which specialises in high tech film coating, for up to \$25m (£13.5m).

Andus is in the vanguard of developing high tech processes for coating film for industrial uses through reactive sputtering from its base at Canoga Park in California.

It is expected to muster sales of \$4.4m this year.

Courtaulds is buying Andus from Raychem, a world leader in the production of treated

plastics for electronic applications.

It has agreed to make an initial payment of \$15m, together with a performance related \$10m.

Last year Courtaulds bought Martin Processing, a US manufacturer of high performance films, based in South Virginia, for \$99m. Martin has shown encouraging growth in sales and profits since the acquisition.

Mr Richard Laphorne, finance director of Courtaulds, said the acquisition of Andus represented an opportunity to

"add critical mass" to Martin's technology and to move into new niche markets.

Andus technological skills could, he said, be used in some of Martin's projects thereby accelerating its product development programme.

The addition of Andus, as a West Coast company, to Martin's activities on the East Coast also gives Courtaulds a wider geographical presence within industrial films in the US.

Raychem had considered buying Martin to augment Andus' activities before the

Courtaulds acquisition.

Andus presently supplies patented products to several Raychem start-up ventures.

It has now entered into a long term contract to continue supplying these products to Raychem.

Courtaulds, which has expanded steadily outside its traditional areas of fibres and textiles in recent years, is committed to establishing an international presence in industrial paints.

Mr Laphorne said he envisaged further acquisitions in the sector.

BZW appointed by Edelman

By Maggie Urry

THE GROUP of investors controlled by Mr Asher Edelman, New York-based arbitrator, which has recently built up a 5.6 per cent stake in Storehouse, has appointed Barclays de Zoete Wedd, securities house, as advisor.

Storehouse, headed by Sir Terence Conran, is a retail group which includes the B&S, Mothercare, Habitat and Rich-

ards chains.

Mr Corey Horowitz, of Plaza Securities in New York, a partner of Mr Edelman, said BZW had been appointed "to provide advisory services with respect to our investment in Storehouse."

He said the investors were not ready to state their intentions towards Storehouse. The advice expected from BZW

could cover further share purchases or sales, or even a bid for the company.

Mr Patrick Bourke of BZW said the first task would be to review options open to Mr Edelman's group. He said they were "serious people".

The announcement was made after the market closed last night. Storehouse shares had closed 2p lower at 185p.

A year ago Storehouse fought off a bid from Benloc, a small engineering company, and there has since been repeated bid speculation about the group.

KIO/Hillsdown

The Kuwaiti Investment Office has increased its stake in Hillsdown Holdings, food, furniture and property group, from 6.34 per cent to 7.05 per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Current dividend	Total for year	Total last year
Bankers' Inv Tr - fin	0.68	Feb 28	0.52	1.82	1.8
Kellogg Ind - fin	7.5	-	6.875	11.25	10
North-brian Food - int	0.75	-	0.75	-	2
Hadland Metal - int	1	Feb 3	1	-	3
River Plate/Gen - fin	3.658	-	-	6.658	-

Dividends shown pence per share net except where otherwise stated.

Tiphook plc

Strong Growth & Expansion Continues



INTERIM RESULTS FOR THE HALF YEAR ENDED 31st October 1988

Unaudited	1988	1987	Increase
TURNOVER	£45.1m	£28.2m	60%
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	£4.5m	£2.6m	73%
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	£4.1m	£2.3m	78%
DIVIDEND PER ORDINARY SHARE	2.15p	1.65p	30%
EARNINGS PER ORDINARY SHARE	12.8p	8.5p	50%

Attention is drawn to the fact that the interim results are preliminary and subject to audit. The current results are based on the current level of activity and do not represent a full year's results.

Robert J Montague Executive Chairman

NOTES

- The results for the year ended 30th April, 1988 are abridged from the Company's full accounts which have been filed with the Registrar of Companies and which received an unqualified auditor's opinion.
- The accounting policy relating to the costs incurred in respect of new container rental agreements was changed during the year to 30th April, 1988 to write off costs as they are incurred, rather than amortising them over the average container rental period. The originally reported profits for the half year to 31st October, 1987 have been reduced by £0.3m to reflect the change.
- The corporation tax charge for the half year has been reduced to £0.4m as a result of capital allowances on tangible fixed assets.
- The interim ordinary dividend of 2.15 pence per ordinary share will be paid on 31st January, 1989 to ordinary shareholders registered at the close of business on 12th January, 1989.
- The earnings per ordinary share of 12.8 pence for the half year is calculated by dividing the Group profit after taxation and preference dividends, amounting to £4.0 million, by 31,259 million ordinary shares, being the weighted average number of shares in issue during the period.
- Pursuant to the circular to shareholders dated 15th October, 1988 the Company acquired the whole of the issued share capital of Remco International Ltd on 11th November, 1988, issuing 17.5 million ordinary shares of 10 pence each.

TIPHOOK plc, LANCASTER HOUSE, 7 ELMFIELD ROAD, BROMLEY, KENT BR1 1LT, ENGLAND. TELEPHONE: 01-460 4060

MBOs - WHO'S NEXT

HAYS PLC buy-out - November 1987 Finance raised £260 million	HUMBERCLYDE FINANCE GROUP buy-out - September 1987 Finance raised £204 million	CARADON PLC buy-out - October 1985 Finance raised £66.7 million FLOTATION - JULY 1987
FAIREY GROUP PLC buy-out - December 1986 Finance raised £50 million FLOTATION NOVEMBER 1988	RENTO INTERNATIONAL buy-out - May 1987 Finance raised £45.8 million SALE TO TIPHOOK PLC DECEMBER 1988	DWEK GROUP buy-out - August 1988 Finance raised £38.1 million
NKF HOLDING BV (led by Candover's Netherlands Associates, Venture Capital Investors BV) buy-out - December 1986 Finance raised £38.4 million FLOTATION (AMSTERDAM) MAY 1988	RECHEM ENVIRONMENTAL SERVICES PLC buy-out - December 1985 Finance raised £2.25 million FLOTATION - MAY 1988	

Candover Investments plc are leaders in management buy-outs. We have organised almost forty buy-outs ranging in size from £1.0 million to £260 million.

Candover has invested in all of them and our judgement has been rewarded by their success. Two examples are Rentco, which was recently sold at a price which gave a highly satisfactory return to institutions which invested with us, and Fairey which has just obtained a Stock Exchange listing, less than two years after its buy-out.

Overall institutional investors in Candover's buy-outs have achieved returns in excess of 60% per year.

As for the managers themselves, they do even better in successful buy-outs - as they should, since they are primarily responsible for their success.

Candover is continually discussing potential management buy-outs with companies, managers and advisors. If you think you could be next, contact Roger Brooke or Stephen Curran on 01-583 5090.

CANDOVER INVESTMENTS plc

Cedric House, 8-9 East Harding Street, London EC4A 3AS.

Issued by Candover Services Limited, a member of FIMBA.

UK COMPANY NEWS

London Shop's raised NAV of 390p is main plank of defence

By Paul Cheeswright, Property Correspondent

LONDON SHOP yesterday put into place the main element of its defence against Peel Holdings' hostile £282m bid. It declared, after a property revaluation, that the underlying asset value of each of its shares was 390p.

Shop's British property portfolio, assessed in accordance with Royal Institution of Chartered Surveyors guidelines on the valuation of property. These will focus on the potential value of a property where there is a prospective purchaser with a special interest.

SHT builds 49.8% stake in Rangaire

By Vanessa Houlder

SCOTTISH HERITABLE Trust, York-based industrial and property group, yesterday announced that it has increased its stake in Rangaire, Texas-based quarrying company, to 49.8 per cent.

The company said that it intends to work closely with the board of Rangaire for the mutual benefit of both companies. SHT, which has three seats on Rangaire's board is thought to wish to reduce overheads and rationalise Rangaire's less profitable businesses.

Modest growth at Arlen

ARLEN, electrical accessories group, reported a marginal increase in taxable profits from £754,000 to £797,000 in the six months to end-September.

interim dividend is raised to 1.1p (1p). Mr Leslie Hancock, chairman, attributed the modest profits growth to substantial investment in its electrical product range which caused "some interruption" in factory production flow during the first half.

Divorce filed at Lee Int and Panavision

By Clay Harris

The highly leveraged marriage of Lee International, film lighting manufacturer, and Panavision, US-based camera and lens group, has come unstuck after only 15 months.

Pennant delays Bay sale

PENNANT PROPERTIES, Australian-controlled international property developer and investor, is to delay the sale of its majority stake in Bay Financial, a US company, in order to retain the disposal profits for its own shareholders.

its on any disposal of Bay shares within six months of purchase be returned to Bay shareholders. Accordingly, Pennant has delayed until March next year the extraordinary general meeting to approve sale of the 56 per cent stake, which is carried in its books at \$52m (\$29m).

Sterling Inds rises 39%

STERLING INDUSTRIES, light engineer, reported pre-tax profits increased 39 per cent from £711,000 to £986,000 for the six months to September 30.

(£895,000). The investment income figure included dividends of £484,000 (£360,000) from the group's 8.5 per cent holding in Caledonia Investments.

Kingsrange restructure

KINGSRANGE, scented toiletries manufacturer, has sold a 50 per cent stake in its North American businesses for \$35.5m (£17.5m).

Kingsrange said the move had been decided because there were problems managing those businesses from the UK. The group will bring £1m of the £17.5m back to the UK to significantly reduce borrowings.

Cambium marina move

By Clay Harris

CAMBIVM VENTURE Capital plans to pay £1.3m in shares to buy the 51 per cent it does not already own in Universal Shipyard's (Solent), a marina operator in Hampshire.

will be asked to approve the move at an egm on January 17. Cambium, which is to change its name to Flagstone Holdings, will also sell several small investment stakes.

COMPANY NEWS IN BRIEF

ABERDEEN PETROLEUM incurred loss of £399,000 in first half of 1988 (loss £21,000) from turnover of £987,000 (£789,000). Weak oil prices continued into the second half but there are encouraging signs of strengthening gas prices in North America.

2344,000 on turnover of 16,277m. ISLE OF MAN Enterprises: Turnover £4.65m (£2.51m) and taxable profits £453,359 (£303,410) for year to October 30 1988. Earnings per 5p share 6.87p (4.59p) and dividend 2.25p (1.625p) adjusted for subdivision of shares.

asset value of capital shares 18.5p (17.0p). REP is acquiring Graffiti Design and Consultancy and the partnership of Graffiti Reproductions for £1.5m. The consideration is to be satisfied by the issue of 1m new ordinary shares and £400,000 cash.

Claremont (UK)

The rationalisation programme at Claremont (UK), oil and gas company resulted in sharply reduced losses for the year to September 30.

Electronic Data

Electronic Data Processing reported pre-tax profits virtually static at £137m, against £136m, for the year to September 30.

Marine Midland Bank N.A. U.S. \$125,000,000 Floating Rate Subordinated Capital Notes due 1996 For the three months 21st December, 1988 to 21st March, 1989 the Notes will carry an interest rate of 9% per annum with a coupon amount of U.S. \$242.19 per U.S. \$10,000 Note and U.S. \$1,210.94 per U.S. \$50,000 Note.

Notice of redemption Elders N.V. (the "Issuer") U.S.S 160,000,000 11% per cent. Guaranteed Convertible Bonds due 1994 (the "Bonds") unconditionally guaranteed by, with non-detachable Conversion Bonds issued by, and with conversion rights into Ordinary Shares of Elders IXL Limited Conversion right expiry date: January 20, 1989 Redemption date: January 23, 1989

LOVELL (GF), confectionery manufacturer, saw pre-tax losses increase to £86,000 (£82,000) in six months to October 1. Turnover £2.01m (£1.75m). Losses per share 6p (5.8p). Company is a subsidiary of Kirby & West.

REUTERS HOLDINGS has agreed to a management buy-out at Promis Systems Corporation, a Toronto-based subsidiary of LP, Sharp Associates, and provider of computer services to the financial services industry. Promis specialises in designing computer systems for manufacturing businesses.

BOARD MEETINGS

Table with columns for company name and meeting date. Includes Hemera Eurofund, Hemera Currency Fund, Hemera Securities, Rose Consumer Electronics, Stewart Zephera, Brynco Engineering, Plessey, Goring Kerr, and LPA Industries.

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COMMODITIES AND AGRICULTURE

Coffee in retreat as export quota rises

By David Blackwell
PROFIT-TAKING and the prospective end to the port strike in Brazil yesterday wiped out Tuesday's sharp rise in coffee prices in London.

In addition, the International Coffee Organisation (ICO) announced a further increase of 1m bags in the total world export quota to 58m bags.

At the close on the London Futures and Options Exchange (Fox) yesterday the March robusta contract was down \$22 a tonne at \$1,193 a tonne.

Prices on the terminal markets were slow to catch up with internal prices in Brazil, so that some Brazilian traders have been slow to release their coffee.

Crunch time approaches for Australian gas venture

Chris Sherwell examines tricky decisions facing international joint venturers in the North-West Shelf

THE SIX international joint venturers in the North-West Shelf natural gas project in Australia are facing a tricky decision over its future development - and the moment of truth is not far away.



WESTERN AUSTRALIA
0 Miles 400
0 Km 640

The crunch is due next month when, after two and a half years of analysis and \$150m (\$47m) expenditure, they will finally try to decide whether a 26-well platform should be placed over the Goodwyn field.

The platform, representing an investment of \$1.5bn, would link up with the existing North Rankin A platform, 20 km to the north-east and of similar size. It would tap the second of several significant fields lying 130 km offshore beneath 125 m of swirling ocean waters.

There is no doubt among them that the Goodwyn platform will eventually be built and installed. The issue is whether the commitment should come now, so that it is

AUSTRALIAN-BASED explorers are expected to spend \$672m (\$320m) searching for oil and gas in 1989, according to a survey by the Australian Petroleum Exploration Association.

Of the remainder, some \$253m would be spent offshore (compared with \$529m in 1988) and \$168m onshore (\$250m). Overall, the number of wildcat wells would increase to 140 from 134, but the number of appraisal and development wells would fall.

On a net present value basis, the joint venturers are losing money on their domestic gas sales and can expect the narrowest of profit margins on sales of LNG.

Against this positive news is the harsh fact that the project's economics have been running against it ever since it began in 1980 - first because of the 1981-82 recession in Australia and later because of weak world oil prices.

gained at incremental cost and offering welcome additional returns. North Rankin has already been adapted to produce a high recovery.

With Goodwyn, the overall condensate production figure would climb to 80,000 b/d making the case for going ahead with the Goodwyn platform strong. This is supported by the Australian Federal Government, which is worried about the balance of payments consequences of declining domestic oil supplies in the 1990s.

One intangible issue is whether a decision not to go ahead as originally planned might dent the confidence of the Japanese buyers in the six partners' commitment to the massive project.

Being a light form of crude oil needed for gasoline products, condensate is seen by the joint venturers as a major bonus - a marketable product

source of LNG supplies well into the next century, and not just to the eight Japanese buyers. The six partners have therefore embarked on a fresh programme of exploration to prove more reserves.

One well in the Echo field, west of Rankin, has come up positive, and there are the Wilcox and Dixon fields to explore further.

On top of this there is Scott Reef, almost twice as big as Rankin at an estimated 13 trillion (million million) cu ft of mostly dry gas, and far in excess of the Bruce field, the North Sea's largest, which has just 3 trillion cu ft. Further north there are the Petrel and Tera fields.

As things stand, LNG exports from the North West Shelf are already projected to bring in an estimated average of \$1.5bn a year in 1986 dollars, contributing some 3 per cent of Australia's export earnings - more in condensate exports are included.

Oil project put in doubt by contract problem

By Karen Fossell in Oslo

AN IMPORTANT Norwegian oil project has been put in doubt by the breaking off of talks about the building of an early production vessel.

Conoco Norway has halted main contract negotiations with K/S Nordic Invest, the Norwegian consortium which was to build the vessel, to be used to produce oil from mid-1990 in Heidrun, the northern Hattenbanken field.

The company's Norwegian subsidiary of Houston-based Conoco, which is in turn a subsidiary of Du Pont, the largest US chemical company, said it had received information indicating that Nordic was unable to carry out the project in accordance with its bid.

For several months questions related to costs and the timing of the project have surrounded the phased development project. Investment in the first phase used, is estimated at Nkr4.6bn (\$390m). Early production had been planned for a period of one year at a maximum rate of 60,000 barrels a day.

Nickel and zinc forecast to be strongest metals

By Kenneth Gooding, Mining Correspondent

THE OUTLOOK for all base metals prices in 1989 is "fairly positive," according to Shearson Lehman Hutton's London metals team. But the long term fundamentals for nickel and zinc look better than those for the other metals, it adds in its latest weekly review.

Shearson points out, however, that all current base metal prices are so far ahead of production costs that a slight deterioration in the fundamentals could see a significant correction in price.

US sugar quota rises welcomed

By Canute James in Kingston

CARIBBEAN SUGAR producers, who have been hit hard by the progressive cuts in US import quotas, have welcomed the US decision to raise 1989 imports by 17 per cent. The increase follows short-falls in domestic production caused by drought, according to the US Government.

Mr Harold Davis, chairman of the Sugar Association of the Caribbean, a producers' organisation, said the increase in quotas was "most constructive."

Coal price back to pre-oil crisis level

By Maurice Samuelson

THE REAL price of coal has now fallen back to the level it held before the oil price explosion of the 1970s, according to a major report on the world coal market by Wharton Economic Forecasting Associates.

It takes a cautious view of future prices of steam coal, which it expects to rise by only about 5 per cent by the year 2000, but says there is considerable uncertainty about future exports from South Africa.

LONDON MARKETS

NICKEL prices closed sharply down on the London Metal Exchange yesterday after volatile trading. The three-month metal at one stage fell to \$16,000 a tonne under a wave of merchant profit-taking, stop-loss liquidation and stop-loss selling, traders said. It rallied to \$17,700 a tonne before closing at \$17,050, a fall of \$1,300 on the day. Traders said end-users now appear to have covered their end-year requirements. Substantial fresh major consumer orders are expected to be placed in the New Year and a breach of record highs set in March this year is expected. A fall on Comox helped to push copper prices down, while other base metals were steady in the run-up to Christmas. The cocoa market remained nervous in the absence of fresh details about the French aid package for the Ivory Coast, the world's biggest producer.

Table with columns: Commodity, Close, Previous, High/Low. Includes SOYABEAN MEAL, COTTON, SUGAR, COFFEE, and various oil products.

WORLD COMMODITIES PRICES

Table with columns: Commodity, Close, Previous, High/Low. Includes LONDON METAL EXCHANGE, SOYABEAN MEAL, COTTON, SUGAR, COFFEE, and various oil products.

New York

Table with columns: Commodity, Close, Previous, High/Low. Includes GOLD, SILVER, and various oil products.

Chicago

Table with columns: Commodity, Close, Previous, High/Low. Includes SOYABEAN MEAL, COTTON, and various oil products.

London Bullion Market

Table with columns: Commodity, Close, Previous, High/Low. Includes Gold, Silver, and various oil products.

London Metal Exchange

Table with columns: Commodity, Close, Previous, High/Low. Includes various metal prices.

USM & THE THIRD MARKET

The Financial Times proposes to publish this survey on: 6TH FEBRUARY 1989. For a full editorial, synopsis and advertisement details, please contact: EDWARD MACQUISTEN on 01-248 8600 ext 3300.

FRUIT AND VEGETABLES
Fresh supplies are excellent with satsumas 30-50¢ a lb, homegrown corn apples 35-55¢ and fresh ocean spray cranberries 80¢-£1.00.

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Speculative moves enliven equities

THE PRE-CHRISTMAS calm of the London stock market was broken yesterday by a handful of speculative situations, but overall business levels remained low.

Account Opening Dates table with columns for Date and Description.

largest such enterprise in the European Community, with potential annual sales of over £4bn.

of suspended animation, fairly happy with the latest data on the domestic economy but still far from convinced that the UK's 13 per cent bank base rates can be relaxed in the foreseeable future.

spot among international stocks, market indices remained on the downside throughout the session.

store shares again crept higher in very modest turnover as some traders turned more optimistic regarding the progress of the Christmas retail season.

FINANCIAL TIMES STOCK INDICES

Table of stock indices including Government Secs, Fixed Interest, Ordinary, Gold Mines, Ord. Div. Yield, and S.E. ACTIVITY.

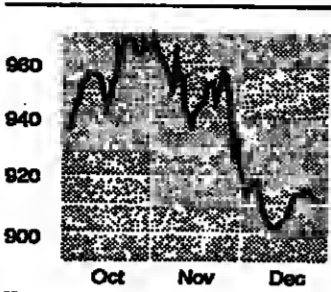
TRADING VOLUME IN MAJOR STOCKS

Table showing trading volume for various stocks including Anglo, BHP, BP, and others.

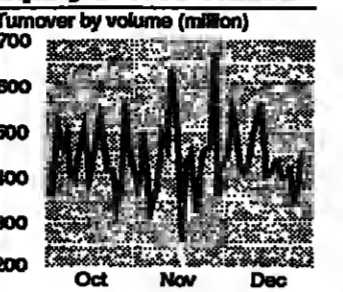
Publisher contest quickens

Pre-Christmas spirits in the publishing sector were revived by the announcement from William Collins that it is having talks with a third party which may lead to a counter-bid to Mr Rupert Murdoch's hostile offer.

FT-A All-Share Index



Equity Shares Traded



was blamed for the somewhat muted response to the disclosure of a predatory shareholder in Tootal, the UK textile concern.

a modest decline in crude oil prices - down some 10 cents at \$14.90 a barrel towards the close - and general lack of interest saw share prices drift.

In the other issues with Lloyds 2 of at 321p on business of 736,000 and NatWest a similar amount lower at 512p on L.M.

In explanation Mr Hawkins said "I think there is no doubt that consumers are reacting to the burgeoning of the Chancellor is dispensing out on interest rates by not spending on durables such as furniture."

Mr Murdoch's News International responded by stating that it has no intention of selling its 41.7 per cent stake to any rival bidder, but analysts described this as entirely predictable.

International stocks were mixed. Glaxo moved sharply better, rising 16 to 1054p on the back of a steady dollar and a shortage of stock in the market.

Business in Enterprise and Lasso, which have provided most of the action in the sector this week, tailed off with Enterprise 3 cheaper at 488p and Lasso slightly easier at 479p.

Dealers whose minds were not too stretched by normal trading yesterday did manage to find the time to complete in the 1988 Accounts brought to a close.

Dealers said virtually all of the activity in the electronics sector was in the hands of GEC.

Iceland breaker

Just when it looked as if the Iceland Frozen Foods offer for Bejam would expire quietly, talk that a white knight was about to step into the fray revived interest in the previously waning bid battle.

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS: CASHMERE (2) Victoria's Day, Trans. Cas. Pils. BUNNICK (2) China, USA, Anglo Leasing, CLP & LDC Co. PL. SHREWS (1) Highland Dist. FORTUNE (1) P.O. Box 100, 100, 100, 100.

APPOINTMENTS

INDUSTRIES. Lord Armstrong was secretary of the Cabinet, and Mr O'Connell is group managing director of the BOC Group.

THE WORLD'S MOST APPRECIATED BUSINESS GIFTS

FT Diaries will be deeply welcome if they are personalized with the recipient's name or initials in high quality, long-lasting gold-leafing.

WHICH FT DIARY WILL YOU CHOOSE FOR 1989?

Advertisement for FT Diaries 1989, featuring a photo of a diary and text describing its features and benefits.

Predator returns

The pre-Christmas slowdown

British Gas forms new division

Mr Cedric H. Brown, at present regional chairman, West Midlands, has been appointed director of the new exploration and production division.



BLUEBIRD TOYS has appointed Mr Roger B. Matthews as managing director of Merit Toys.

LEWIS'S RETAIL has made the following board appointments: Mr Amanda Spedding, head of finance and company secretary.

Mr Alan Ravenscroft has been appointed chairman of EURO-LATIN AMERICAN BANK, and Dr Juan Candela Gomez de la Torre becomes vice chairman.

Mr Chris Brerley, managing director, resources and new business, at BRITISH GAS, has assumed responsibility for the implementation of changes to gas supply business policies arising from the recent MMC Report on gas prices to large customers.

Mr Alan Ravenscroft has been appointed to the board of the PORT OF LONDON AUTHORITY for three years from January 1. He will also join the Tilbury committee, responsible for the Port of Tilbury.

Mr Louis D. de Bièvre has been appointed chairman of EURO-LATIN AMERICAN BANK, and Dr Juan Candela Gomez de la Torre becomes vice chairman.

Mr M.C. Emerson has been appointed managing director of HEALTH NORTH AMERICAN REINSURANCE BROKING from January 1.

Advertisement for FT Diaries 1989, including an order form with fields for name, address, and phone number, and a table of prices for different diary editions.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Main table containing unit trust information, including columns for company names, unit prices, and other financial data. Includes sub-sections like 'INSURANCES' and 'OTHER UK UNIT TRUSTS'.

OTHER UK UNIT TRUSTS

Table listing other UK unit trusts with columns for name, price, and other details.

INSURANCES

Table listing insurance-related unit trusts with columns for name, price, and other details.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

Main table containing unit trust information with columns for Name, Price, Yield, and other financial metrics. Includes sub-sections for 'OFFSHORE AND OVERSEAS MANAGEMENT SERVICES' and 'UK LISTED'.

OFFSHORE AND OVERSEAS MANAGEMENT SERVICES

UK LISTED

IM AUTHORIZED

project in doubt contract blem

PORTANT... project in doubt contract blem

PORTANT... project in doubt contract blem

PORTANT... project in doubt contract blem

PORTANT... project in doubt contract blem

FT UNIT TRUST INFORMATION SERVICE

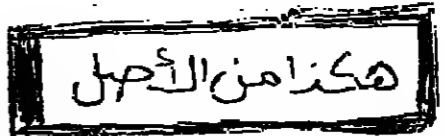
Table of FT Unit Trust Information Service, listing various unit trusts, their managers, and performance metrics.

LONDON SHARE SERVICE

Table of London Share Service, including British Funds, British Funds - Cont'd, Foreign Bonds & Rails, and AMERICANS.

Table of Money Market Trust Funds, listing various trust funds and their performance.

Table of Money Market Bank Accounts, listing various bank accounts and their details.



LONDON SHARE SERVICE

Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

AMERICANS - Contd

Table listing American stocks with columns for Stock, Price, and other financial metrics.

CANADIANS

Table listing Canadian stocks with columns for Stock, Price, and other financial metrics.

BANKS, HP & LEASING

Table listing banks and hire purchase/leasing companies with columns for Stock, Price, and other financial metrics.

BEERS, WINES & SPIRITS

Table listing beer, wine, and spirit companies with columns for Stock, Price, and other financial metrics.

BUILDING, TIMBER, ROADS

Table listing building, timber, and road companies with columns for Stock, Price, and other financial metrics.

BUILDING, TIMBER, ROADS - Contd

Continuation of Building, Timber, Roads table with columns for Stock, Price, and other financial metrics.

CHEMICALS, PLASTICS

Table listing chemical and plastic companies with columns for Stock, Price, and other financial metrics.

DRAPERY AND STORES

Table listing drapery and store companies with columns for Stock, Price, and other financial metrics.

BUILDING, TIMBER, ROADS

Continuation of Building, Timber, Roads table with columns for Stock, Price, and other financial metrics.

ELECTRICALS

Table listing electrical companies with columns for Stock, Price, and other financial metrics.

ENGINEERING - Contd

Continuation of Engineering table with columns for Stock, Price, and other financial metrics.

ENGINEERING

Table listing engineering companies with columns for Stock, Price, and other financial metrics.

ENGINEERING - Contd

Continuation of Engineering table with columns for Stock, Price, and other financial metrics.

FOOD, GROCERIES, ETC

Table listing food, grocery, and other companies with columns for Stock, Price, and other financial metrics.

HOTELS AND CATERERS

Table listing hotels and caterers with columns for Stock, Price, and other financial metrics.

INDUSTRIALS (Miscel.)

Table listing industrial companies with columns for Stock, Price, and other financial metrics.

INDUSTRIALS (Miscel.) - Contd

Continuation of Industrial (Miscel.) table with columns for Stock, Price, and other financial metrics.

INDUSTRIALS (Miscel.) - Contd

Continuation of Industrial (Miscel.) table with columns for Stock, Price, and other financial metrics.

INDUSTRIALS (Miscel.)

Table listing industrial companies with columns for Stock, Price, and other financial metrics.

INDUSTRIALS (Miscel.) - Contd

Continuation of Industrial (Miscel.) table with columns for Stock, Price, and other financial metrics.

INDUSTRIALS (Miscel.) - Contd

Continuation of Industrial (Miscel.) table with columns for Stock, Price, and other financial metrics.

INSURANCES

Table listing insurance companies with columns for Stock, Price, and other financial metrics.

LEISURE

Table listing leisure companies with columns for Stock, Price, and other financial metrics.

Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-925-2128

LONDON SHARE SERVICE

LEISURE - Contd

Table of share prices for Leisure sector including companies like Leisure Group, Leisure World, etc.

PROPERTY

Table of share prices for Property sector including companies like Property Group, etc.

TEXTILES - Contd

Table of share prices for Textiles sector including companies like Textiles Group, etc.

TOBACCO

Table of share prices for Tobacco sector including companies like Tobacco Co, etc.

TRUSTS, FINANCE, LAND

Table of share prices for Trusts, Finance, and Land sectors including companies like Investment Trusts, etc.

TRUSTS, FINANCE, LAND - Contd

Continuation of share prices for Trusts, Finance, and Land sectors.

OIL AND GAS - Contd

Table of share prices for Oil and Gas sector including companies like Oil & Gas, etc.

OVERSEAS TRADERS

Table of share prices for Overseas Traders including companies like Overseas Traders, etc.

MINES - Contd

Table of share prices for Mines sector including companies like Mines, etc.

MISCELLANEOUS

Table of share prices for Miscellaneous sector including companies like Miscellaneous, etc.

MOTORS, AIRCRAFT TRADES

Table of share prices for Motors and Aircraft Trades including companies like Motors, etc.

Commercial Vehicles

Table of share prices for Commercial Vehicles including companies like Commercial Vehicles, etc.

Garages and Distributors

Table of share prices for Garages and Distributors including companies like Garages, etc.

NEWSPAPERS, PUBLISHERS

Table of share prices for Newspapers and Publishers including companies like Newspapers, etc.

PAPER, PRINTING, ADVERTISING

Table of share prices for Paper, Printing, and Advertising including companies like Paper, etc.

SHIPPING

Table of share prices for Shipping including companies like Shipping, etc.

SHOES AND LEATHER

Table of share prices for Shoes and Leather including companies like Shoes, etc.

SOUTH AFRICANS

Table of share prices for South Africans including companies like South Africans, etc.

TEXTILES

Table of share prices for Textiles including companies like Textiles, etc.

Investment Trusts

Table of share prices for Investment Trusts including companies like Investment Trusts, etc.

Finance, Land, etc

Table of share prices for Finance, Land, etc including companies like Finance, etc.

Oil and Gas

Table of share prices for Oil and Gas including companies like Oil and Gas, etc.

Overseas Traders

Table of share prices for Overseas Traders including companies like Overseas Traders, etc.

Mines

Table of share prices for Mines including companies like Mines, etc.

Miscellaneous

Table of share prices for Miscellaneous including companies like Miscellaneous, etc.

Regional & Irish Stocks

Table of share prices for Regional & Irish Stocks including companies like Regional, etc.

Plantations

Table of share prices for Plantations including companies like Plantations, etc.

Mines

Table of share prices for Mines including companies like Mines, etc.

Far West Rand

Table of share prices for Far West Rand including companies like Far West Rand, etc.

O.F.S.

Table of share prices for O.F.S. including companies like O.F.S., etc.

Diamond and Platinum

Table of share prices for Diamond and Platinum including companies like Diamond, etc.

Central African

Table of share prices for Central African including companies like Central African, etc.

Finance

Table of share prices for Finance including companies like Finance, etc.

Oil and Gas

Table of share prices for Oil and Gas including companies like Oil and Gas, etc.

Third Market

Table of share prices for Third Market including companies like Third Market, etc.

Mines

Table of share prices for Mines including companies like Mines, etc.

Far West Rand

Table of share prices for Far West Rand including companies like Far West Rand, etc.

O.F.S.

Table of share prices for O.F.S. including companies like O.F.S., etc.

Diamond and Platinum

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Central African

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Oil and Gas

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Third Market

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Oil and Gas

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Regional & Irish Stocks

Table of share prices for Regional & Irish Stocks including companies like Regional, etc.

Vertical text on the left margin containing various advertisements and notices.

Vertical text on the right margin containing various advertisements and notices.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar slightly firmer

CURRENCY TRADING ran down to a very low level, ahead of the Christmas holiday and the end of the year. However, there was a limited amount of commercial business, as traders squared their books, and this gave the dollar an underlying firm tone.

In New York it was suggested that only a couple of banks were still engaged in interbank trading, and that brokers were seeing only a scattered order flow.

In limited speculative trading there was some setting up of short D-Mark positions against the Japanese yen, but these were soon unwound.

At the Frankfurt fixing the West German Bundesbank sold DM27.4m, when the dollar was fixed at DM1.7742, compared with DM1.7732 on Wednesday.

It was the first time the Bundesbank had intervened at a fixing since December 20, when the central bank sold \$6.4m.

However there was very little reaction in the market. A higher than expected figure on November US durable goods orders also had virtually no impact.

Small commercial orders but to buy the dollar in support for the US currency, but these had an exaggerated effect on the market, because of the lack of volume. Most multinational companies are believed to have completed their dollar purchases for the year, and there are signs that speculative traders are no longer interested in running positions.

The main area of speculative trading is now confined to the futures market in Chicago, where traders are thought to be still carrying long dollar positions against the D-Mark and the Swiss franc. This may continue to underpin the US currency through until the end of the year.

The other factor providing the dollar with lingering support is speculation that the rise in the Federal funds rate in New York will be followed by an increase in the Federal Reserve's discount rate within the next few weeks.

At the London close the dollar had risen to DM1.7738 from DM1.7695, to Y124.70 from Y124.35, to SF21.4970 from SF21.4940, and to FF6.0650 from FF6.0650.

According to the Bank of England, the dollar's exchange rate index was unchanged at 94.2. There was also very little volume in sterling, but the pound weakened in nervous trading, ahead of today's publication of the UK trade figures for November.

The market expects an improvement on the October current account deficit of £2.4bn, but forecasts have tended to become more pessimistic late.

Sterling fell to \$1.7980 from \$1.8075, to DM3.1900 from DM3.1975, to Y224.35 from Y224.75, and to FF10.8925 from FF10.9275.

On the Bank of England figures the three month index fell to 77.3 from 77.5.

Estimated volume total, Call 1779, Put 610. Previous day's open bid, Call 1826, Put 1213.

Estimated volume total, Call 1779, Put 610. Previous day's open bid, Call 1826, Put 1213.

Estimated volume total, Call 1779, Put 610. Previous day's open bid, Call 1826, Put 1213.

FINANCIAL FUTURES

US data have little impact

A HIGHER than expected 0.1 p.c. rise in November US durable goods orders had little impact on US Treasury bond futures yesterday, despite the fact that the market had been looking for a fall of between 0.7 p.c. and 2.0 p.c.

A drop of 54,000 in US unemployment figures for the week ending December 10, was also regarded as surprising, suggesting that the economy continues to grow at a strong pace, but in this pre-Christmas trading there was very little reaction on futures markets.

March US Treasury bond futures closed at 89-13 on Life, compared with 89-20 on Wednesday.

Sterling denominated contracts were equally subdued, on lack of fresh factors, and nervousness ahead of today's UK trade figure announcement. Volume remained quiet.

March short sterling futures finished in the middle of a narrow trading range, at 87-30, unchanged from Wednesday. Long term gilt futures also closed unchanged, at 96.02 for March delivery.

Estimated volume total, Call 70, Put 50. Previous day's open bid, Call 75, Put 50.

Estimated volume total, Call 70, Put 50. Previous day's open bid, Call 75, Put 50.

Estimated volume total, Call 70, Put 50. Previous day's open bid, Call 75, Put 50.

Estimated volume total, Call 70, Put 50. Previous day's open bid, Call 75, Put 50.

Estimated volume total, Call 70, Put 50. Previous day's open bid, Call 75, Put 50.

Estimated volume total, Call 70, Put 50. Previous day's open bid, Call 75, Put 50.

Estimated volume total, Call 70, Put 50. Previous day's open bid, Call 75, Put 50.

Estimated volume total, Call 70, Put 50. Previous day's open bid, Call 75, Put 50.

Estimated volume total, Call 70, Put 50. Previous day's open bid, Call 75, Put 50.

Estimated volume total, Call 70, Put 50. Previous day's open bid, Call 75, Put 50.

Estimated volume total, Call 70, Put 50. Previous day's open bid, Call 75, Put 50.

Estimated volume total, Call 70, Put 50. Previous day's open bid, Call 75, Put 50.

EUROPEAN OPTIONS EXCHANGE

Table with columns for Series, Call, Put, and various price points for different options.

BASE LENDING RATES

Table listing various banks and their base lending rates in different currencies.

EMS EUROPEAN CURRENCY UNIT RATES

Table showing EMS European Currency Unit rates for various countries.

POUND SPOT - FORWARD AGAINST THE POUND

Table showing Pound spot and forward rates against the pound.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table showing Dollar spot and forward rates against the dollar.

EURO-CURRENCY INTEREST RATES

Table showing Euro-currency interest rates for various maturities.

EXCHANGE CROSS RATES

Table showing exchange cross rates for various currencies.

LONDON (CLIFFE)

Table showing London (Cliffe) market data for various instruments.

CHICAGO

Table showing Chicago market data for various instruments.

NEW YORK

Table showing New York market data for various instruments.

MONEY MARKETS

London rates ease

THERE WAS a softer tone to interest rates on the London money market yesterday, but trading was very quiet in a market starved of activity and new factors.

Several of the major banks have closed their books for the year, and dealers said the only chance of an upturn in volume will come from today's figures.

UK clearing bank less leading rate 13 per cent from November 25.

on UK trade in November. These are expected to show an improvement, after the recent deficit in October.

Three-month sterling interbank eased slightly to 13-1/2 p.c. from 13-3/4 p.c.

Credit conditions on the money market were comfortable. The Bank of England initially forecast a credit shortage of around £100m, but revised this to a shortage of £50m at noon, and to a flat position in the afternoon. There was no intervention in the market by the authorities.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £172m, with a rise in the note circulation absorbing £155m, and bank balances below target £20m. The factors outweighed Eschequer transactions adding £260m to liquidity.

FT LONDON INTERBANK FIXING

Table showing FT London Interbank Fixing rates.

MONEY RATES

Table showing money rates for various instruments.

LONDON MONEY RATES

Table showing London money rates for various maturities.

FT LAW REPORTS

Removal of debt achieves tax loss

YOUNG, AUSTEN & YOUNG LTD v DUNSTAN Court of Appeal (Lord Justice Lloyd, Lord Justice Balcombe and Sir George Waller); December 19 1988

AN INCREASE of share capital followed by the acquisition of the new shares by an existing shareholder in proportion to his existing beneficial shareholding is a reorganisation of share capital for capital gains tax purposes; and the new shares are therefore treated as the same asset as the original shares and as having been acquired as they were acquired.

The Court of Appeal so held when allowing an appeal by Young, Austen & Young Ltd from Mr Justice Warner's decision that elimination of its subsidiary's debt by a share capital transaction was not a reorganisation of capital.

Paragraph 4 of Schedule 7 to the Finance Act 1965 provides: "(1) This paragraph shall apply to any reorganisation of . . . share capital and for the purposes of this paragraph: (a) References to a reorganisation of . . . share capital include: (i) any case where there are more than one class of share and the rights . . . are altered or not allotted shares . . . in proportion to . . . their holding of shares in the company . . . (ii) any case where there are more than one class of share and the rights . . . are altered or not allotted shares . . . in proportion to . . . their holding of shares in the company . . . (iii) any case where there are more than one class of share and the rights . . . are altered or not allotted shares . . . in proportion to . . . their holding of shares in the company . . ."

FT LAW REPORTS

Removal of debt achieves tax loss

equal to their market value under section 22(4) of the Finance Act 1965. The Special Commissioners said their market value must have been nil.

Young sought to escape that difficulty by contending that the increase in share capital and the allotment of the new shares constituted a "reorganisation" of Jones's share capital within paragraph 4 of Schedule 7 to the 1965 Act. If that was so, it was argued, the acquisition of the 200,000 new shares was not to be treated as a separate acquisition but, together with the original 1,000 shares, was to be treated as a single asset. The effect of section 22(4) was thus side-stepped.

The question before the Special Commissioner was whether what was done on June 12 was a reorganisation of Jones's share capital within paragraph 4. They accepted Young's contention that it was. The Crown's appeal was allowed by Mr Justice Warner. Young now appealed.

Mr Thornhill for Young submitted *inter alia* that the transactions were covered by the phrase "reorganisation" of "share capital" in paragraph 4. Paragraph 4(1)(b) provided that "reorganisation of a company's share capital" included (b) bonus issues and (c) rights issues. Mr McCall for the Crown contended that 4(1)(a)(i) was an exhaustive definition of increases of capital constituting a reorganisation.

It was common ground that paragraph 4 did not contain any express definition of "reorganisation" of share capital. "Reorganisation of a company's share capital" was not a term of art. It derived colour from its context. The court was referred to paragraphs 5, 6 and 7 of Schedule 7.

The appeal was allowed. For the Crown: Christopher McCall QC (Solicitor, Inland Revenue). For Young: Andrew Thornhill QC and Jeremy Woolf (Ashurst Morris Crisp). Rachel Davies, Barrister.

WORLD STOCK MARKETS

Table with columns for country (e.g., Australia, Belgium, Canada, France, Germany, Italy, Japan, Korea, New Zealand, Singapore, South Africa, Switzerland, Taiwan, Thailand, UK, USA, West Germany), date (December 22), and stock price changes.

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TORONTO

Table of Toronto stock market data, including stock names, prices, and changes.

CANADA

Table of Canadian stock market data, including stock names, prices, and changes.

INDICES

Table of various stock indices, including Dow Jones, S&P 500, and others.

NEW YORK

Table of New York stock market data, including stock names, prices, and changes.

TOKYO

Table of Tokyo stock market data, including stock names, prices, and changes.

CANADA

Table of Canadian stock market data, including stock names, prices, and changes.

TOKYO - Most Active Stocks

Table of most active stocks in Tokyo, including stock names and prices.

NEW YORK ACTIVE STOCKS

Table of most active stocks in New York, including stock names and prices.

HONG KONG

Table of Hong Kong stock market data, including stock names, prices, and changes.

AUSTRALIA

Table of Australian stock market data, including stock names, prices, and changes.

NEW ZEALAND

Table of New Zealand stock market data, including stock names, prices, and changes.

SINGAPORE

Table of Singapore stock market data, including stock names, prices, and changes.

THAI

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INDONESIA

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PHILIPPINES

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VIETNAM

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THAI

Table of Thai stock market data, including stock names, prices, and changes.

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3pm prices December 22

Main table of stock prices with columns for 12 Month High, Low, Stock, Div. Yld., % Chg., and Price. Includes various stock tickers and their corresponding market data.



Continued on Page 35

NYSE COMPOSITE PRICES

Table of NYSE Composite Prices listing various stocks with columns for High, Low, Stock, Div. Yield, Change, and Close.

OVER-THE-COUNTER

Quoting national market, 3pm prices December 22

Table of Over-the-Counter prices listing various stocks with columns for High, Low, Stock, Div. Yield, Change, and Close.

AMEX COMPOSITE PRICES

3pm prices December 22

Table of AMEX Composite Prices listing various stocks with columns for High, Low, Stock, Div. Yield, Change, and Close.

Advertisement for 'Travelling by air on business?' featuring Geneva, Zurich, Basel, and Bern-Lugano routes.

Vertical text on the left margin containing various notices and advertisements.

AMERICA

Dow continues to drift in spite of economic figures

Wall Street

MODERATE volume and narrowly mixed share prices characterised another desultory day on the New York Stock Exchange, writes Karen Zagor in New York.

At 2 pm, the Dow Jones Industrial average had edged down 1.60 to 2,163.04, with fewer than 95m shares traded.

A report that durable goods orders rose 0.1 per cent, at the high end of expectations, failed to rouse the market.

The announcement of Dresser Burnham Lambert's \$650m settlement on Wednesday evening caused some relief among take-over stocks but had little overall effect.

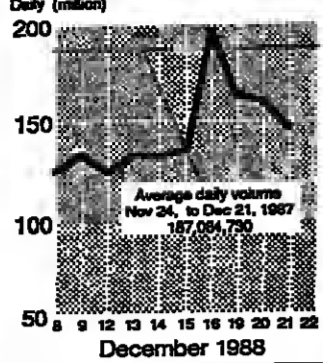
The bond market was more sensitive to the durable goods figures and bonds dipped by 1/4 of a point on the release of the figures. However, a firm dollar pushed up Treasuries early on.

At midday the Treasury's benchmark long bond was unchanged at 10 3/4 yielding 8.98 per cent.

The Federal Reserve is arranging five-day system repurchase agreements to tide the Fed fund over at the 8 1/2 level for the holiday period.

The operation helps the Fed to avoid the risk of being unable to attract adequate collateral on Friday when many

NYSE Volume



dealers will be short of staff. Fed funds were trading at 8 1/2 per cent when the Fed entered the market.

The dollar traded in the Y124.65 region through the morning session and analysts expect the US currency to hold firm to the end of the year.

Detroit Edison, the mid-West electrical and steam utility, rose 1 1/2 to 17 1/4 following the news of a tentative settlement of the company's rate case. If the settlement is adopted it is expected to provide relative rate stability for the near future.

The week-long saga of Cummins Engine, the world's largest independent manufacturer of diesel engines, continued

yesterday with shares in the company rising by 3 1/2 to \$59 1/4 in late morning trading. However, by early afternoon it had dipped 3/4 to \$58 1/4 in the absence of any firm evidence of a takeover approach. Last Friday Cummins closed at \$48 1/4.

Although Daimler-Benz, previously touted as a major suitor for Cummins, denied any interest in the company, takeover talk was prevalent.

Cummins said that it expects an unidentified investor to disclose the acquisition of over 5 per cent of Cummins shares. The company also said it would take a \$50m fourth-quarter charge for the write down of assets.

Bus chip issues were marginally down in morning trading. McDonald's dropped 3/4 to \$47 1/4. Aluminum company of America fell 3/4 to \$53 1/4.

Texaco dropped 3/4 to \$51 after the oil company announced that it had completed the sale of \$500m of convertible preferred stock.

Canada

GAINS by gold issues and base metal shares outweighed a decline by industrial stocks, leaving Toronto slightly higher in quiet early trading.

The composite index firmed 1.3 to 3,266.2 on light turnover of 4.1m shares.

Australia's nerves survive roller-coaster

The year of the Lazy Bear has ended better than expected, writes Chris Sherwell

LIKE KIDS fresh from their first roller-coaster ride, Australia's stock market players are emerging from 1988 tired but relieved after a bout of anxiety and a burst of exhilaration.

The mood is no surprise. From the lows which followed the October 1987 crash, the market has climbed, peaked and fallen back. By finishing on a higher plane, it has ended better than anyone had imagined in December 1987.

This week the widely-watched All Ordinaries index was hovering in the 1,490-1,500 range, where it has been stuck for weeks after peaking at 1,687 in August. It had begun the year a touch below 1,300, and bottomed at 1,171 in February.

The current level is well below the pre-crash peak of 2,306.5, but little different from just two years ago. The ups and downs of 1988 have nevertheless been a seminal experience for those who grew used to the cosy predictability of a five-year bull run and, before that, an over-regulated financial system.

Instead of the easier days of the "Lazy Bear", they must now confront the more difficult

ones of the Lazy Bear. Trading volumes are down, investors are more discriminating, equity raising is hard work and brokers are battling.

That the country's bicentenary year has not been worse is because of a worldwide recession proved unfounded. Strengthening commodity prices made Australian stocks, and the currency, more attractive. Then came a helpful May mini-budget, cutting corporate taxes and encouraging pension funds into the market.

The result was improved profits for Australia's blue chip companies and, in the six months to August, a market which actually outperformed the rest of the world.

But concern surfaced about an overheating domestic economy and untamed balance of payments problems, and coincided with similar fears abroad of renewed inflation. This brought a sharp tightening of monetary policy, which dampened sentiment for equities. Share prices are now clearly discounting the future.

The year's most significant feature has been the attraction for investors of blue chip industrial and service stocks

with domestically-generated profits and dividends franked for imputation purposes.

The big performers among the industrials have been diversified groups like BTR Nylax and Pacific Dunlop. The heavy engineering, chemicals and paper and packaging sectors have also been strong.

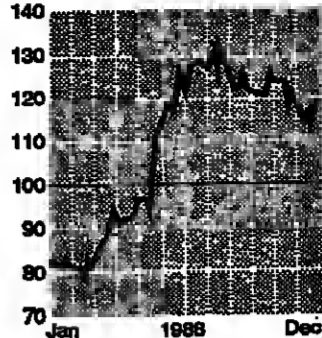
In services, the three big banks - Westpac, the National Australia Bank and ANZ - have been popular, as have transport stocks like TNT, Brambles and Mayne Nickless, and the large retailer Coles Myer.

Resource stocks have performed poorly because of the rising local currency and, in the case of gold, a declining bullion price. Also in retreat is BHP, Australia's largest company. Most out of favour, however, are the entrepreneurial stocks - not only companies like Ariadne, which notched up Australia's biggest ever loss, but also Sir Ron Brierley's Industrial Equity and Mr Alan Bond's Bond Corporation.

Indeed, 1988 was the year many entrepreneurs fell from grace. Further notoriety came on his switchback? What the answer, one thing is inescapable: unlike fun fairs, stock market rides do not stop.

Australia

FT-A World Indexes in £ terms



Bruce Judge and Mr Kevin Parry lost their jobs as well as their companies. Mr Laurie Connell's bank fell insolvent in spite of A\$700m of financial injections, and Mr Larry Adler died of a heart attack.

Still prominent was Mr Bond, with his extraordinary juggling of deals and debts. He took over Bell, floated his gold interests and traded assets as if there was no tomorrow. Further notoriety came on his association with Mr Connell, and the threat to his media empire from a Broadcasting

Tribunal inquiry.

It was also a year of notable achievements. BHP finally got Mr Holmes a Court and Mr John Elliott's Elders IXL off its back. In the process giving Mr Elliott a chance of direct control of Elders. Elders beat Coles Myer to notch up the country's largest turnover of more than A\$150m. And BTR Nylax, mostly through its takeover of ACL, more than doubled its size to a A\$4.5bn company.

On the future, views are mixed. The old truth that Australia's market is driven by what happens to the world economy - and especially to the US - means that all eyes are on Mr George Bush.

That in turn means continued nervousness in the near term, reinforced at home by renewed worries over Australia's economic direction. On the positive side, prospective price-earnings ratios in Australia of around nine times are low.

The big question is whether the market will move downhill or uphill. When is the next switchback? What the answer, one thing is inescapable: unlike fun fairs, stock market rides do not stop.

EUROPE

Active Paris escapes from broad profit-taking trend

THE French market took up the running in Europe at the start of its new account, as profit-taking and seasonal torpor hit other leading bourses, writes Our Markets Staff.

PARIS jumped into action on the first day of the monthly trading account, with turnover surging and shares rising strongly on both foreign and domestic business.

The fact that settlement does not take place until late January encouraged buyers, as did relief at the easing of pressure for a US discount rate rise. The ending of the French transport strike and the favourable report from the OECD were positive factors.

The CMC 30 index finished 7.88 better at 423.46. Brokers Ferri International said turnover was about FF13bn, the best level since late October, compared with a recent daily average of only FF12bn.

Blue chips stole much of the limelight, with Peugeot gaining FF5 to FF1,814, Saint-Gobain up FF19 at FF5,777, Thomson-CSF adding FF1.60 to FF2,201.0 and L'Air Liquide up FF33 at FF1,598.

Foods group BSN rose a further FF150 to FF5,170 following Wednesday's approval of its stock split and a strong profits forecast. L'Oréal added FF56 to FF4,271, with some talk that it might be the next company to split its stock; its subsidiary Synthelabo rose FF15 to FF220 and there have been rumours that it may be up for sale.

Retailers gained on optimism about a last-minute Christmas sales surge following the end of the transport strike, with Galeries Lafayette up FF31 at FF1,300 and Printemps FF14 better at FF1,688.

AMSTERDAM saw early strong gains whittled away by profit-taking and prices closed just below the high for the

year. The CBS all-share index rose 0.5 to 1047 in turnover of about Fl 500m.

A series of good economic figures, notably an OECD report which said Holland would have lower labour costs and improved export prospects for 1988/89, left analysts optimistic for the new year.

Helsinki, up Fl 4.50 at one stage, closed down 80 cents at Fl 142.20 in active trade amid bid speculation. Transport group van Ommeren was suspended at Fl 34.50, up 70 cents, as the company said it expected 1988 profits of about Fl 55m, a sharp rise on last year's Fl 40.4m.

Crist Evcoodes fell Fl 1.90 to Fl 39 on its return from suspension following its profits warning on Wednesday, while Ahold rose Fl 2.50 to Fl 87.80 on foreign demand fuelled by speculation of a rights issue and property revaluation.

FRANKFURT sank into pre-Christmas trading doldrums, although the underlying tone remained firm. Turnover shrank to a thin DM2.1bn amid a general lack of orders, and the FAZ index edged up 0.93 to 546.50 while the DAX ended 3.14 higher at 1,924.15.

Among the few features, Metallgesellschaft rose DM8.50 to DM342 after saying it was selling its packaging businesses and buying a majority of an Austrian tungsten mining and smelting works in a swap with Voest-Alpine.

Steelmaker Hoesch advanced DM3.70 to DM194.70 after its bullish profit and sales forecast on Wednesday. It was the second most active stock with DM157m of shares traded.

MILAN began well but came off on profit-taking in volume estimated to be similar to Wednesday's provisional L190bn. The Comit index eased 1.87 to 588.61. Foreign interest continued to be a factor.

ASIA PACIFIC

Trust funds help Nikkei rise in low volume

THE LAUNCH of new trust funds and a shift of interest to domestic demand-related issues sparked some buying enthusiasm, enabling share prices to maintain their upward momentum although volume remained low, writes Michiko Nakamoto in Tokyo.

The Nikkei average finished 76.42 higher at 29,774.61. Declines led advances by 466 to 425 while 169 issues remained unchanged. The Topix index of all listed shares gained 13.87 to 2,903.43 and in London the ISE/Nikkei 50 index rose 4.02 to 1,906.36.

Volume in Tokyo was still unimpressive, however, at 734m shares, though higher than the \$30m traded on Wednesday.

There was little to give the market direction apart from speculation about which sectors the investment trust funds will be looking at. Yesterday was the first of three days in which a total of 22 new investment trust funds are being set up, amounting to more than ¥900bn in funds, of which about ¥630bn may be invested in equities or corporate bonds CB.

This month, investment trusts are meeting a higher percentage of their target sales winter business are up by 7 per cent on average and interest in equities has recovered somewhat since the Nikkei average broke out of its recent narrow trading, said Mr Chuck Lambert of SBCI Securities (Asia).

Investors had been expecting market activity to pick up as a result of the new investment trust funds' launch and they focused on issues that are likely to be included in the index-based funds.

Among these were regional utilities which the funds are thought likely to buy for their low prices. Kyushu Electric Power, the utility that serves the southern island, advanced ¥30 to ¥3,730. Tohoku Electric Power, to the north, added ¥20 to ¥3,520 and Chugoku Electric Power in southeastern Japan rose ¥10 to ¥3,610.

With Japan Line having risen substantially on the popularity of some low-priced

issues, the regional utilities were seen as offering greater possible gains. Tokyo Electric Power also featured, gaining ¥200 to ¥3,650.

Financials were popular on the strength of possible trust fund buying. Mitsui Bank rose ¥60 to ¥2,380 and the Industrial Bank of Japan added ¥120 to ¥4,090.

Retailers rose as interest shifted to domestic demand related issues. There was talk of a new "consumer spending theme" arising in the new year. Tokyu Department Store added ¥40 to ¥1,570 and Mitsukoshi firmed ¥60 to ¥2,080. Takashimaya increased ¥20 to ¥2,310.

Large capital steels and ship-buildings fared poorly towards the close. These issues attracted buying interest as the yen strengthened during the day and lost to profit-taking as soon as the yen weakened against the dollar, accord-

ing to Mr Shin Tokoi of County NatWest Securities.

NKK, second most active issue at 62.3m shares, rose during the day in heavy trading but closed only ¥1 higher at ¥966. Nippon Steel, third in volume terms at 29.1m shares, ended down ¥2 at ¥896. Mitsui Engineering and Shipbuilding, top of the active list with 63.3m shares, also fell ¥5 to ¥825, after rising during the day to a record high of ¥934.

Consumer issues led trading in Osaka where the OSE average rose by 10.59 to 27,806.24. Volume was up only slightly to 36.9m shares, compared with 33.1m on Wednesday.

Public land auction prices are seen as pointers for the direction of the property market and Cheung Kong, the development and investment concern, attracted the most interest with a rise of 5 cents to HK\$3. Elsewhere the property sector saw modest gains.

The Hang Seng Index rose 0.64 to 2,642.73 in thin trading worth HK\$3536m.

SINGAPORE was reluctant to follow the enthusiasm in Tokyo and Sydney, but edged ahead in light trading. The Straits Times Industrial Index rose 1.73 to 1,016.14.

SEOUL saw the composite index lose 7.6 to 891.03 as investors reacted to speculation that the Government was trying to cool the market in an attempt to stem inflation fears.

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SOUTH AFRICA

PLATINUM shares led an advance by precious metals in Johannesburg as the platinum price regained ground. Anglo American Platinum rose R1.25 to R47.35 while in mining financials Anglo American gained 75 cents to R61.25.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY DECEMBER 21 1988				TUESDAY DECEMBER 20 1988				DOLLAR INDEX		
	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (dollar)
Australia (90)	143.94	+1.5	118.07	112.20	4.78	141.87	116.72	110.73	152.31	91.16	106.76
Austria (18)	96.77	+0.3	79.48	79.37	2.76	96.48	79.38	89.03	100.00	83.72	95.84
Belgium (63)	134.54	+0.1	110.36	123.43	4.10	133.14	109.54	122.63	139.89	99.14	97.54
Canada (125)	122.82	+0.9	101.56	107.64	4.02	122.82	101.56	107.64	128.91	107.06	111.34
Denmark (39)	156.14	+1.5	128.07	145.41	2.09	153.85	128.07	145.41	162.91	111.42	111.42
Finland (26)	129.57	+0.0	106.28	113.28	1.48	129.57	106.28	113.28	139.83	106.78	106.78
France (130)	110.46	+0.2	90.57	104.71	3.10	109.65	90.21	104.40	112.34	72.77	86.79
West Germany (102)	87.55	+0.2	71.81	80.54	2.34	87.77	72.21	81.04	88.26	67.71	71.75
Hong Kong (46)	109.01	+1.0	89.41	109.28	4.74	107.94	88.80	108.18	111.86	84.90	89.85
Ireland (18)	130.00	+0.4	106.63	121.30	4.15	130.45	107.33	122.22	144.25	104.60	104.73
Italy (98)	115.76	+0.4	70.94	82.36	2.43	115.32	70.94	82.36	122.12	62.99	78.55
Japan (456)	182.74	+1.0	153.17	146.79	4.84	182.74	153.17	146.79	190.93	133.61	142.78
Malaysia (26)	141.76	+0.1	116.28	147.63	2.85	141.93	116.77	147.56	154.17	107.83	109.69
Mexico (13)	160.40	+1.9	131.57	400.30	1.28	157.41	129.51	393.25	182.24	90.07	103.00
Netherlands (32)	111.02	+0.2	91.31	101.49	1.61	111.61	91.32	102.12	112.38	92.28	96.14
New Zealand (25)	67.32	+2.2	55.21	56.03	7.05	65.85	54.18	55.68	94.05	63.52	64.74
Norway (25)	138.08	+3.1	113.26	122.29	2.36	133.98	110.23	119.71	138.08	98.55	100.77
Singapore (26)	120.36	+0.1	98.72	107.81	2.52	120.26	98.94	107.93	135.89	97.99	98.45
South Africa (60)	115.94	+0.0	92.80	97.17	4.84	115.32	92.80	97.17	129.07	92.73	133.40
Spain (42)	148.72	+0.4	121.99	128.30	3.18	148.16	121.99	128.30	149.47	130.73	133.40
Sweden (35)	144.97	+0.2	118.91	131.45	2.17	144.65	119.01	131.59	144.97	96.92	98.97
Switzerland (57)	76.56	+0.3	62.79	70.91	2.39	76.29	62.77	70.85	86.75	74.13	82.92
United Kingdom (315)	133.04	+0.1	109.45	109.45	4.91	133.35	109.71	109.71	141.51	120.66	132.61
USA (573)	112.89	+0.0	92.59	112.89	3.64	112.93	92.59	112.93	115.95	99.19	106.93
Europe (1006)	113.16	+0.2	92.82	99.12	3.78	112.88	92.87	99.23	116.61	97.01	104.39
Pacific Basin (679)	181.83	+1.0	149.14	143.74	6.73	181.83	149.14	143.74	191.73	129.73	129.73
Europe-Pacific (1685)	154.34	+0.8	126.60	126.04	1.64	153.12	126.98	126.68	158.08	120.36	125.25
North America (698)	113.46	+0.0	93.07	112.58	3.64	113.45	93.34	112.57	116.07	99.78	103.38
Europe Ex. UK (641)	100.25	+0.4	82.23	92.96	2.93	99.87	82.17	92.97	101.29	80.27	86.89
Pacific Ex. Japan (224)	100.93	+0.2	80.93	92.52	1.72	100.93	80.93	92.52	104.20	87.51	92.52
World Ex. US (1883)	152.90	+0.8	125.41	125.27	1.71	151.69	124.80	124.80	164.39	124.80	124.80
World Ex. UK (21.41)	137.92	+0.6	113.13	122.26	2.06	137.12	113.21	121.97	139.61	111.77	114.76
World Ex. So. Af. (2396)	137.64	+0.5	112.90	121.19	2.29	136.90	112.63	120.95	139.52	113.26	116.24
World Ex. Japan (2007)	113.82	+0.2	93.36	107.55	3.75	113.64	93.50	107.53	115.94	100.00	103.70
The World Index (2456)	137.51	+0.5	112.79	121.03	2.30	136.76	112.52	120.79	139.43	113.37	116.35

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US \$ Index), 90.791 (Pound Sterling) and 94.94 (Local). Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited, 1987. Austrian prices were unavailable December 21 due to technical problems at the Vienna Exchange. Latest prices were unavailable for this edition.

PRELIMINARY RESULTS

FOR THE 53 WEEKS ENDED 3RD SEPTEMBER, 1988

Unaudited	1988	1987	Increase
TURNOVER	£705.4m	£380.8m	+85.2%
PROFIT BEFORE TAXATION	£107.3m	£86.2m	+24.5%
PROFIT AFTER TAXATION	£91.8m	£69.6m	+31.6%
EARNINGS PER SHARE			
- BASIC	48.2p	42.5p	+13.4%
- FULLY DILUTED	43.7p	38.0p	+15.0%
NET DIVIDEND PER SHARE	7.2p	6.6p	-

*1988 represents first and second interim dividends for the 16 months to 31st December, 1988 for which a total net dividend of 12.2p per share has been forecast.

TURNOVER BY REGION %

Near and Middle East 29.9
Europe 42.7
Far East & Others 6.0
North America 21.4

TURNOVER BY DIVISION %

Agriculture 44.5
Electronics 42.2
Textiles 13.3

PROFIT BY DIVISION £m

Agriculture 30.3
Electronics 22.3
Textiles 4.7

Asil Nadir Chairman

POLLY PECK INTERNATIONAL PLC

This is an extract from the Chairman's Statement dated 14th December, 1988. Copies of the full interim statement can be obtained from the Secretary, Polly Peck International PLC, 42 Berkeley Square, Mayfair, London W1X 5DB